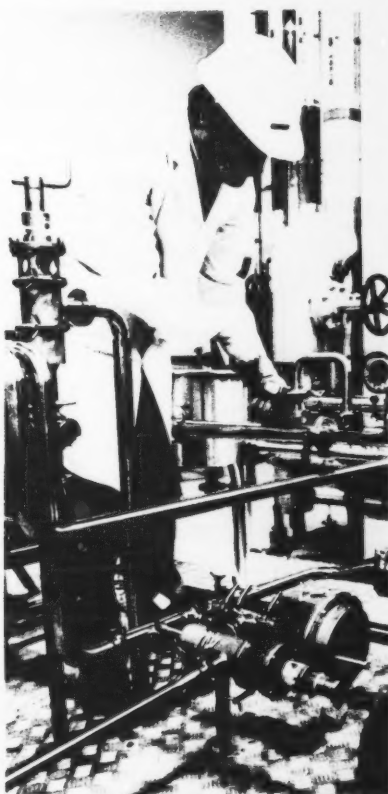
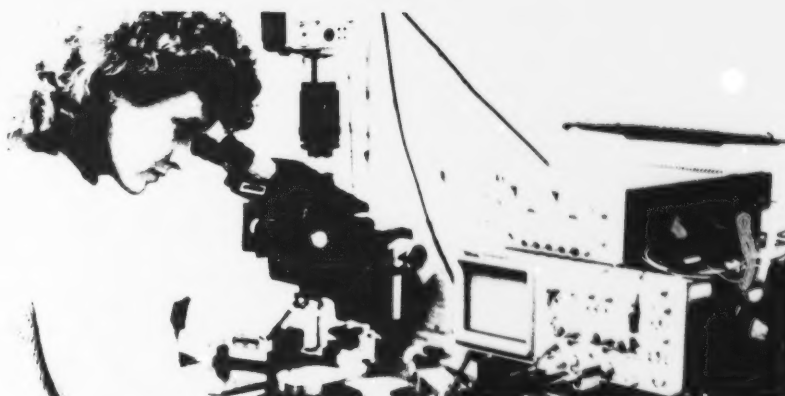


Albion Heritage Savings Trust Fund



Annual Report 1985-86

TENTH
YEAR



86-06327/

Table of Contents

Highlights	1
Provincial Treasurer's Report	3
How the Heritage Fund Works	6
Where the Funds Come From	8
Investments	9
Agriculture	9
Economic Diversification	13
Research and Technology	18
Quality of Life Initiatives	21
Environment	26
Other Investments	29
Financial Summary	31
Financial Statements	37



Alberta
TREASURY

The Honourable Dick Johnston
Provincial Treasurer

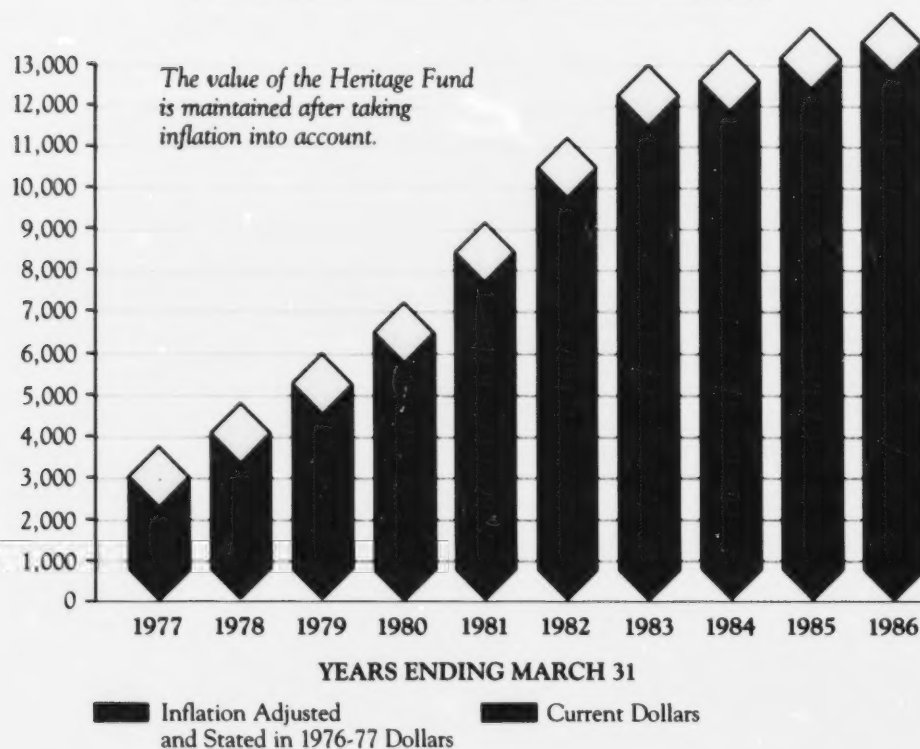
A. J. McPherson
Deputy Provincial Treasurer — Finance and Revenue

Additional copies of this annual report and copies of the
future quarterly reports on the Alberta Heritage Savings Trust
Fund may be obtained by writing.

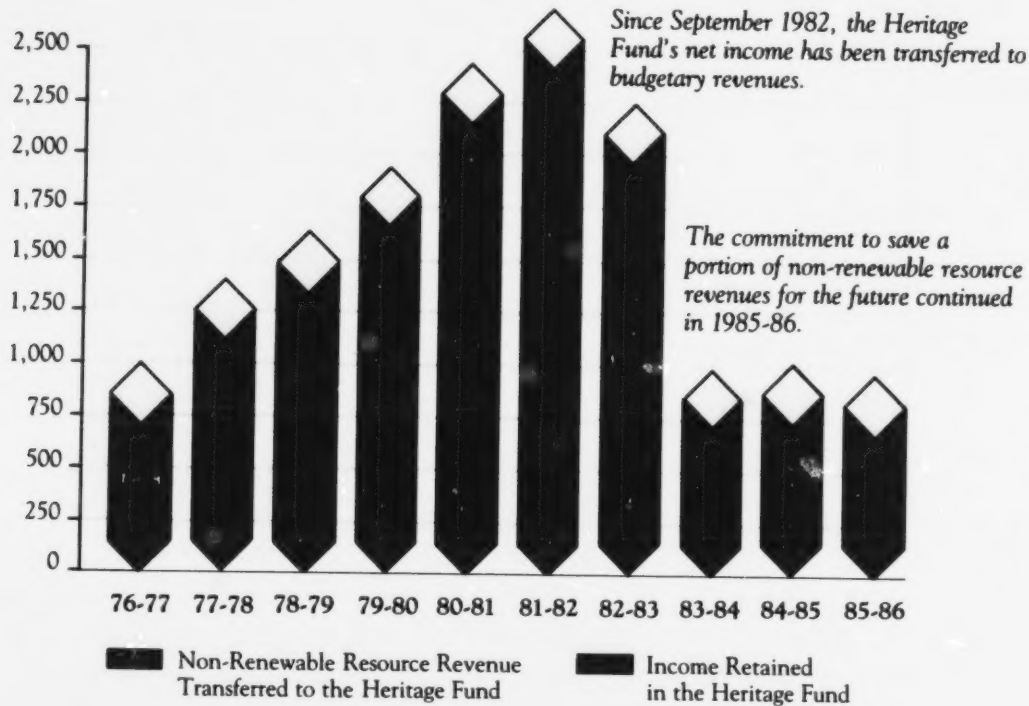
Heritage Fund Reports
434 Terrace Building
Edmonton, Alberta T5K 2C3
or by telephoning (403) 427-9957

- The Heritage Fund's financial assets earned net income of \$1,667 million in 1985-86.
- All of this income was used to maintain high quality education, health and other services to our citizens. The Heritage Fund helps to cushion Albertans from the full effects of changes in economic activity.
- Capital projects of \$240 million help create new jobs.
- Our growing high technology industry will benefit from funding provided for the Microchip Design and Fabrication Facilities in Edmonton and Calgary.
- Financing of \$328 million in 1985-86 enabled provincial Crown corporations to assist farmers, small businesses and homeowners.
- The commitment to saving continued with the transfer of 15 per cent of oil and gas revenues (\$685 million) to the Heritage Fund.
- Investments of \$6.1 billion in agriculture, small business, research, energy resources, telecommunications, and local infrastructure are helping to strengthen and diversify our economy.
- Initiatives of \$4.7 billion in education, health, recreation, housing and the environment improve the quality of life of Albertans and help strengthen our economy.

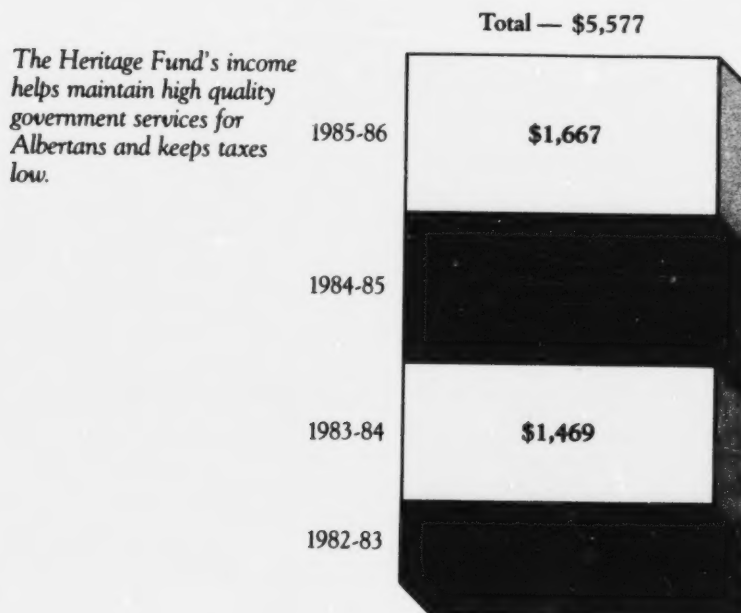
Heritage Fund Financial Assets (millions of dollars)



New Funds Available for Investment (millions of dollars)



Heritage Fund Contribution to Budgetary Revenues (millions of dollars)



The 1985-86 Annual Report of the Alberta Heritage Savings Trust Fund marks the tenth anniversary of the Fund — an ideal time to review the objectives of the Fund and its achievements.

The Heritage Fund came into being following the rapid increase in world energy prices in 1973. As prices of our oil and natural gas began to rise, so too did the province's royalty income from the production of these resources.

Albertans recognized that our supply of conventional non-renewable resources was limited and that revenue from the sale of these resources would ultimately decline. Unsustainable reductions in taxes or dramatic increases in government expenditures would not have been in the best interest of Alberta's current and future residents. As a consequence, the Heritage Fund was created by an act of the Legislature on May 19, 1976, to save a portion of the non-renewable resource revenues that the province receives from our oil, natural gas, and coal resources.

Since its inception, the Fund has had three major objectives:

1. To save for the future.
2. To strengthen and diversify the economy, and thereby place the province on a more solid footing to face future challenges.
3. To improve the quality of life in Alberta today as well as in the future.

This prudent savings philosophy has paid many dividends to Albertans.

Saving for the Future

While the Heritage Fund symbolizes our commitment to save for a rainy day, the helping hand of the Fund has been there when it was needed. Since 1982 when the Heritage Fund umbrella was brought out and opened, all of the Fund's investment income — totalling \$5.6 billion — has been used to help pay for medical and social services, run our educational system, provide benefits to seniors, and generally cushion Albertans from the effects of fluctuating economic activity.

During the period of historically high interest rates in the early 1980's, Heritage Fund interest shielding programs directly reduced interest costs for approximately 200,000 Albertans.

In 1985-86, the Heritage Fund's income contributed \$1,667 million or approximately 17 per cent of the province's total budgetary revenues. Through its support for the province's budget, the Fund plays a major stabilizing role in Alberta's economy. The



Heritage Fund is an integral part of the province's financial management strategy; it has allowed the province greater fiscal flexibility in responding to changing needs and circumstances in the economy. This has confirmed to Albertans the wisdom of the original purpose of the Heritage Fund.

To maintain the current high level of people services and facilities without the Heritage Fund's income, Alberta would have had to introduce an eight per cent sales tax or more than double personal income tax receipts. By keeping taxes low and helping to maintain quality people services, the Heritage Fund helps build confidence for Albertans to invest in their future.

Strengthening and Diversifying the Economy

Over the past ten years, the Heritage Fund has made investments of about \$6.1 billion to help our province build on our basic strengths and broaden the depth and range of our economy.

Agriculture is one of our key strengths. Heritage Fund investments of over \$1.5 billion are assisting the long term growth and vitality of Alberta's farms and agribusinesses and the processing and transportation of our agricultural products.

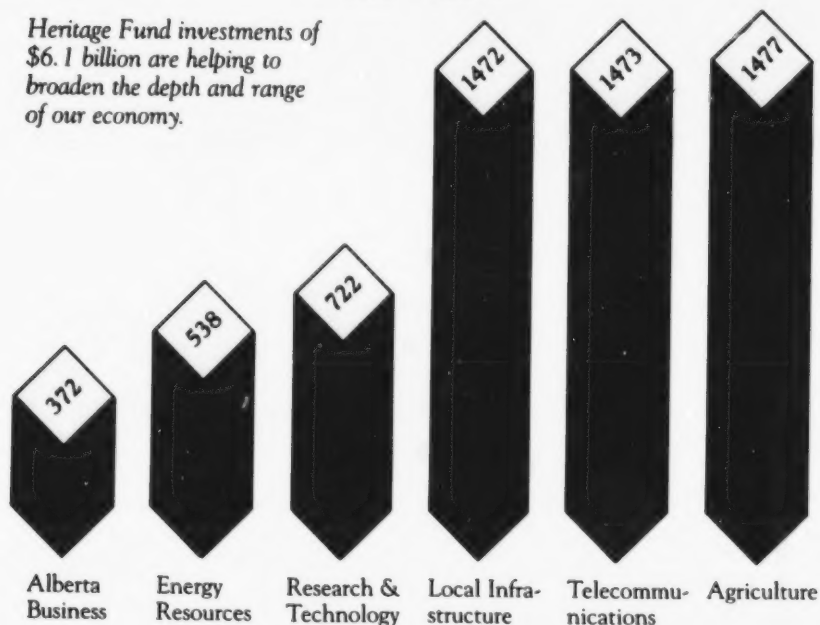
This year, a further \$109 million was invested in the Alberta Agricultural Development Corporation, which makes loans to beginning farmers, bringing total

Strengthening and Diversifying the Economy

(millions of dollars)

Total — \$6,054

Heritage Fund investments of \$6.1 billion are helping to broaden the depth and range of our economy.

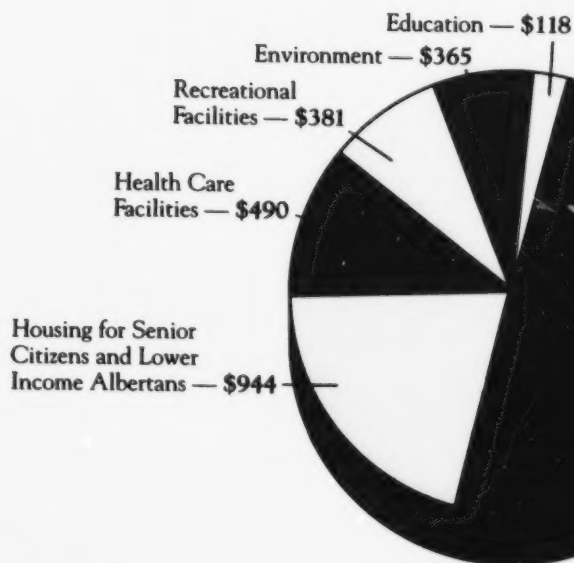


As of March 31, 1986

Quality of Life Investments

(millions of dollars)

Total — \$4,741



Over \$4.7 billion of the Fund's investments enhance the quality of life of Albertans today and in the future.

As of March 31, 1986

investment at March 31, 1986, to over \$1 billion. The flow of Alberta grain to Pacific markets will be improved by the Fund's \$134 million investment in the Prince Rupert Grain Terminal. Over the past ten years, \$182 million has been invested to upgrade irrigation systems, improve water supplies, and increase arable land in southern Alberta.

Through the Farming for the Future program, the Heritage Fund has supported \$34 million in agricultural research aimed at improving net farm income. Also, the \$8 million Food Processing Development Centre enables agricultural products to be evaluated and tested here in Alberta.

Because of the Heritage Fund, our vital small business sector has access to the financing capacities of the Alberta Opportunity Company and Vencap. Entrepreneurs can obtain financing to develop their products or services either by way of a loan or by equity capital.

Heritage Fund investments in the research and development of our oil, gas and coal resources are helping to develop non-conventional methods of energy extraction for our future. The energy industry will continue to benefit from the commercialization of new technologies developed through Alberta Oil Sands Technology and Research Authority.

With the opening of the Electronics Test Centre in 1985-86, our growing electronics industry has access to a unique testing and design evaluation facility. Work began in 1985-86 on the Microchip Design and Fabrication Facilities in Edmonton and Calgary. Our high technology industry will benefit from these facilities when they begin operation later this year.

The Alberta Heritage Foundation for Medical Research is helping to develop Alberta into a world centre for medical research.

By providing financing to the province's Crown corporations, the Heritage Fund has helped ensure the availability of vital infrastructure such as schools, hospitals, roads, and local and long distance telephone services across Alberta.

Improving the Quality of Life of Albertans

Through its support of over \$4.7 billion in health care, education, recreation, housing, and the environment, the Heritage Fund has helped strengthen our economy for the future and improve the quality and diversity of services available to Albertans today.

The Heritage Fund has financed the construction of three health care centres in the province that are among the finest in North America: the Walter C. Mackenzie Health Sciences Centre; the Tom Baker Cancer Centre and Special Services Facility; and the Alberta Children's Provincial General Hospital.

Over \$118 million has been provided to fund special education projects and to recognize and assist students through the Alberta Heritage Scholarship Fund.

The provision of new, easily accessible recreational facilities for Albertans and their families has been a priority for the Heritage Fund. Our unique provincial mountain park, Kananaskis Country, will be virtually completed this year.

The Heritage Fund has played an important role in providing affordable housing for Alberta's low to moderate income families and senior citizens. To date, through the Fund's financing, over 90,000 housing units have been built throughout the province.

The Heritage Fund has provided an additional \$62 million in 1985-86 for land revitalization, reforestation, irrigation and flood control projects. These investments encourage the development of our forest and agricultural industries and create job opportunities for Albertans.

The Future

The Heritage Fund will continue to play a stabilizing role in our economy and will help protect Albertans from the volatility of the world energy situation. With the Heritage Fund, Alberta is in a strong position to respond to present and future challenges.

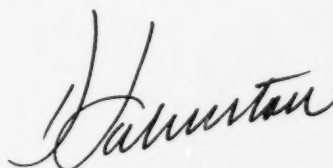
The Heritage Fund is our confidence builder — helping individual Albertans and Alberta businesses to invest in their future and ensure sustained growth for our province over the long term.

Acknowledgement

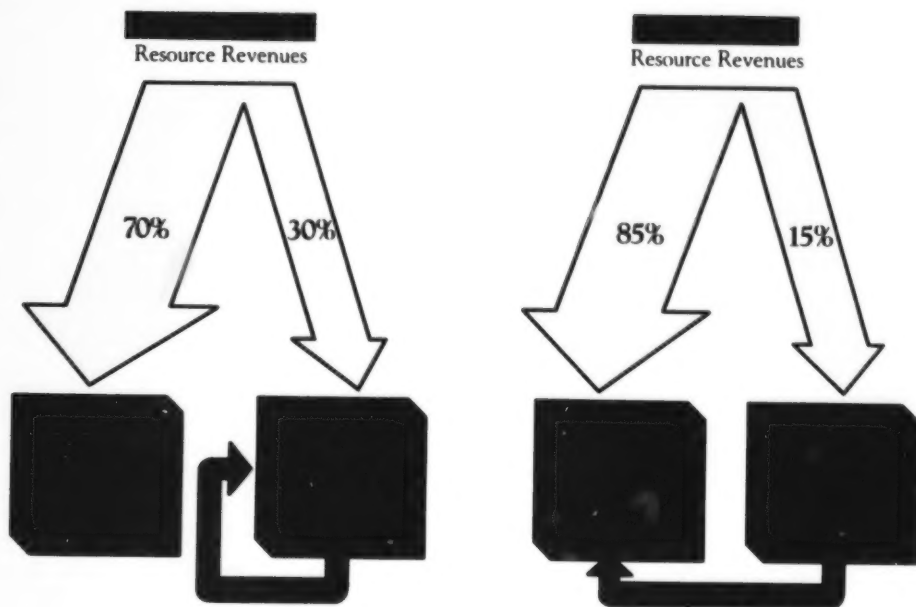
I would like to acknowledge the significant contribution that Peter Lougheed and Lou Hyndman have made in guiding the establishment and the development of the Heritage Fund over the last ten years.

Peter Lougheed, Premier of Alberta from 1971 to 1985, was in many respects the founder of the Heritage Fund and it was due mainly to his vision and unfailing determination over this period that Alberta now has a savings account for the future.

For seven years of the Heritage Fund's ten-year history (1979-1986), Lou Hyndman was Provincial Treasurer and diligent trustee of the Fund's investments.



Dick Johnston
Provincial Treasurer
October, 1986



In 1985-86 the Heritage Fund's only source of new funds for investment was the 15 per cent transfer of resource revenues.

What is the Alberta Heritage Savings Trust Fund?

The Alberta Heritage Savings Trust Fund was created in 1976 as a savings account held in trust for generations of Albertans by their government.

The Heritage Fund has been built up by setting aside a portion of the non-renewable resource revenues that the province receives from our oil, natural gas and coal resources.

Is the Heritage Fund cash?

The Heritage Fund is not cash. Over 80 per cent of the Fund's financial assets are invested in debentures or equity for the long term. The remainder is invested in income earning shorter term investments.

Who manages the Heritage Fund?

The management of the Heritage Fund is vested in the Legislative Assembly, the Investment Committee (the Provincial Cabinet) and the Provincial Treasurer. There is also a Select Standing Committee consisting of 15 Members of the Legislative Assembly. They review the Annual Report of the Heritage Fund, question Ministers responsible for investments, and make recommendations concerning the Fund's operations including alternative investments. The broad objectives, the nature of investments, and the approval process for investments are detailed in the table that follows.

Why not spend a significant portion of the Heritage Fund to meet current cash needs?

Since September 1982, the Heritage Fund's income has been transferred to Alberta's general revenues. To March 31, 1986, the Fund had provided \$5.6 billion in protection and stability to Albertans in all walks of life. If Alberta were to spend a significant portion of the Fund today, this would reduce future Heritage Fund income and future provincial budgetary revenues. The savings in the Heritage Fund provide a stable supplementary source of revenue to the province.

The Heritage Fund's Investment Divisions

Division	What the Investments Must Do	Investments Permitted	Who Must Approve an Investment
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...
...	...	...	...

Monday, Feb. 20, 1961
Continued from Page 1
Having Made Two Fast Fills

Chairman

J. Oldring *Red Deer South*

Deputy Chairman

A. Hyland Cypress-Redcliff

Members

F. Bradley Pincher Creek-Crowsnest

D. Cherry Lloydminster

S. Chumir Calgary Buffalo

J. Gogo Lethbridge West

R. Hawkesworth Calgary Mountain View

J. Heron Stony Plain

H. Kroeger *Chinook*A. McEachern *Edmonton Kingsway*

R. Moore Lacombe

S. Nelson Calgary McCall

W. Payne Calgary Fish Creek

L. Piquette Athabasca - Lac La Biche

R. Speaker Little Bow

From where does the Heritage Fund obtain its funds?

The province receives non-renewable resource revenue primarily as royalties on the production of oil and natural gas it owns and from the sale of Crown leases.

The Heritage Fund received 15 per cent of these revenues in 1985-86 amounting to \$685 million. The remaining 85 per cent form a significant part of the province's general budgetary revenues.

Is the non-renewable resource revenue dependent on the price of oil?

Yes. However, our non-renewable resource revenue is dependent on many variables: the prices and

volumes of crude and synthetic oil, and domestic and exported natural gas; proceeds from bonuses and sales of Crown leases; royalty rates and the rate of exchange between the Canadian dollar and the United States dollar, since a significant portion of our natural gas and crude oil is sold to that market.

Which Divisions provided most of the Heritage Fund's income in 1985-86?

The Alberta Investment Division, established for the purpose of strengthening and diversifying Alberta's economy as well as earning a return, contributed 73 per cent of the Fund's net income.

The second largest contributor to income, the Canada Investment Division, provided 14 per cent.

What happens to the income from the Heritage Fund?

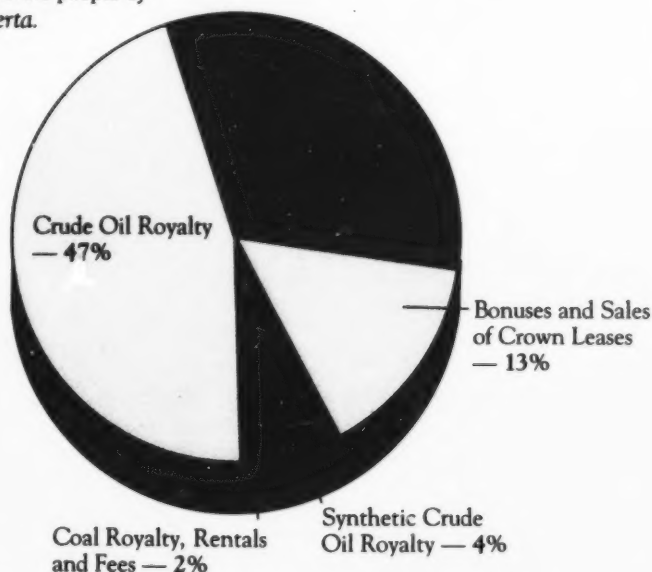
During 1985-86, the Heritage Fund earned net income of \$1,667 million on its investments. All of these earnings were transferred to the province's general revenues to help continue the delivery of high quality services to Albertans.

Prior to September 1982, all of the income was retained in the Fund.

Resource Revenues

Heritage Fund revenues come mainly from the oil and gas resources owned by all the people of Alberta.

They do not come from a gasoline sales tax; Alberta has no gasoline sales tax.



Net Income (millions of dollars)

The Heritage Fund earned a total net income of \$1,667 million in 1985-86 from all of its divisions.

Other^a — \$27
Deposits and Marketable Securities — \$185

Alberta Investment Division — \$1,217

^a Includes Commercial, Energy and Capital Projects Divisions less administrative expenses.



Ten Year Overview

Agriculture is a vital part of the economic fabric of the province, contributing billions of dollars annually to Alberta's total output of goods and services. Reflecting agriculture's key role in the economy, the Heritage Fund has invested almost \$1.5 billion in loans to young farmers, agricultural research, irrigation, and the Prince Rupert Grain Terminal. These investments help strengthen Alberta's agricultural sector and our provincial economy.

The largest portion of this investment, over \$1 billion, has been provided as loans to help maintain the family farm in Alberta. To help increase Alberta's irrigable land and improve its productivity, \$182 million has been expended in upgrading and expanding water storage and delivery systems in southern Alberta.

Agricultural research into new production methods and technologies is aimed at improving farm incomes. Heritage Fund investment of \$34 million in agricultural research is helping to maintain the continued competitive strength of agriculture in Alberta.

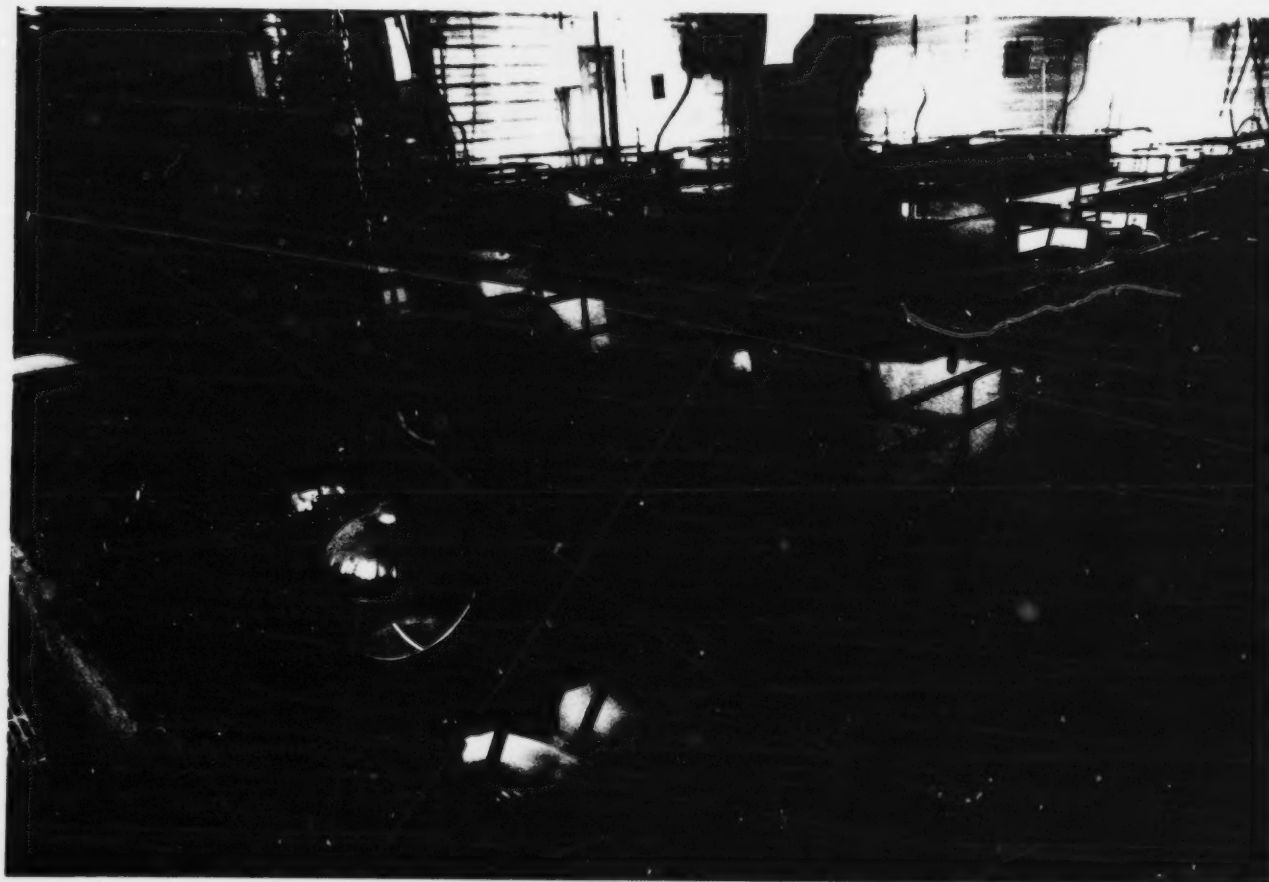
The Prince Rupert Grain Terminal has significantly increased the potential of Alberta farmers to deliver and ship grain from the Pacific coast.

Alberta Agricultural Development Corporation (Alberta Investment Division)

The Corporation provides loans and loan guarantees to farmers and agribusinesses. These programs help support the family farm and encourage the processing within Alberta of our agricultural products. Direct farm loans are made at a preferred rate of interest which was reduced from 12 per cent to nine per cent effective April 1, 1986. Also, most borrowers are eligible for incentive rebates which reduce their effective interest costs to six per cent for the first five years of their loans.

In 1985-86, the Corporation made 802 loan commitments totalling \$89 million under its Beginning Farmer Program and \$2 million in loans to assist more established farms to expand and improve their productivity. The Corporation also provided \$126 million in loan guarantees to Alberta farmers and agribusinesses.

Investment in 1985-86:	\$109 million
Investment at March 31, 1986:	\$1,041 million



This hog farm near Blackfalds obtained financing assistance from the Alberta Agricultural Development Corporation to expand and modernize its business.

Farming For The Future (Capital Projects Division)

1985-86 saw continued achievements in the eighth year of this successful and well received agricultural research program. From the commercially promising synthetic potato skin to livestock vaccines manufactured with recombinant DNA, the Research Program is at the leading edge of frontier technology. To assist producers in transferring that new technology to the farm, the On-Farm Demonstration Program has been expanded to fulfill Farming For The Future's mandate: to increase net farm income and to ensure the long term viability of agriculture in Alberta.

Investment in 1985-86:	\$5 million
Investment at March 31, 1986:	\$34 million

Prince Rupert Grain Terminal - Ridley Grain Ltd. (Alberta Investment Division)

The Prince Rupert Grain Terminal was officially opened in May 1985, and became fully operational at the end of July 1985. By easing the load on southern rail routes to the west coast and by providing an ultra-modern grain terminal at an uncongested port, the terminal increases the ability of Alberta and other western provinces to serve Pacific grain markets. At full capacity, the terminal will boost Canada's grain export potential from the Pacific coast by about 20 per cent.

The terminal is operated by Ridley Grain Ltd., a consortium of six major western Canadian grain handlers. The Heritage Fund's investment is in the form of first mortgage bonds. Financing was also provided for this project by members of the consortium and from the province's general revenues.

Investment in 1985-86:	\$5 million
Investment at March 31, 1986:	\$134 million



Synthetic potato skins, developed with support from Farming for the Future, may lead to the commercial production of innovative food products for the restaurant industry.

Irrigation Rehabilitation and Expansion

(Capital Projects Division)

This project represents a long term commitment to ensure the efficient delivery of water to irrigated land, and combined with the Irrigation Headworks and Main Irrigation Systems Improvement project, will increase Alberta's irrigable land to 600 000 hectares (1.5 million acres) by 1995. The 13 Irrigation Districts participating in this program receive assistance to help cover the costs of planning, rehabilitating and expanding their irrigation distribution systems.

Investment in 1985-86: \$30 million
Investment at March 31, 1986: \$182 million



Grazing Reserves Development

(Capital Projects Division)

The development of public grazing reserves in central and northern Alberta continued in 1985-86. By providing beginning farmers and those with limited land with public reserves for livestock grazing, privately owned land may be used for cereal crop production. All work is carried out by private contractors and involves the clearing of bush land and the establishment of tame forages.

Investment in 1985-86: \$3 million
Investment at March 31, 1986: \$32 million

Rail Hopper Cars

(Capital Projects Division)

In support of the Alberta government's strong commitment to the agricultural sector, 1,000 new hopper cars were acquired in 1980-81 and 1981-82. In conjunction with the Prince Rupert Grain Terminal, the cars continue to help increase the grain carrying capacity of the railway system.

Investment at March 31, 1986: \$54 million



Through the Irrigation Rehabilitation and Expansion project, irrigation ditches and canals, previously plagued by seepage and inefficiency, are being rehabilitated and expanded to improve the delivery of water to irrigated land.



The Heritage Fund

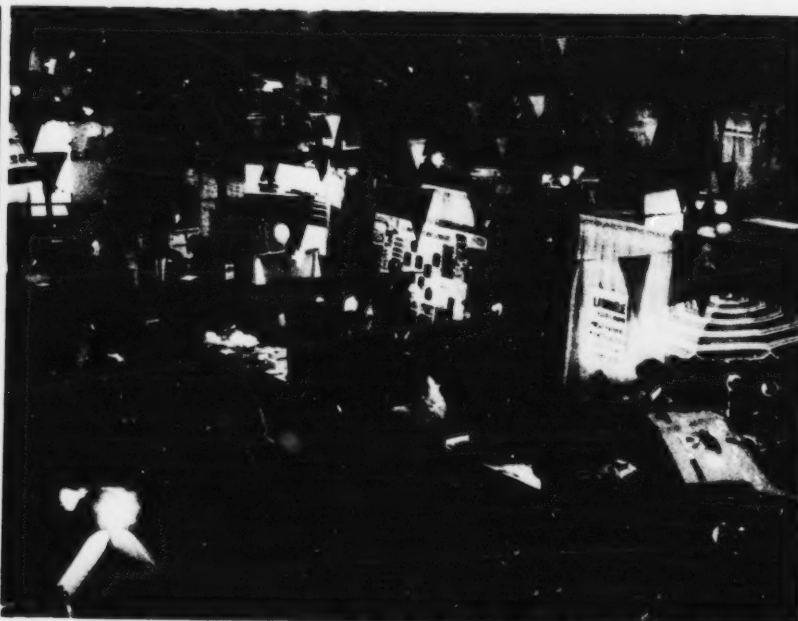
An important objective of the Heritage Fund is to strengthen and diversify the Alberta economy by building on our basic strengths. Investments of almost \$3.9 billion in small business, energy, food processing, telecommunications, and local infrastructure will help broaden the depth and range of our economy. These investments have generated many new direct and indirect jobs throughout the province and help make the jobs Albertans have today more secure.

Small businesses create over 70 per cent of new jobs. In recognition of this key role small business plays in the economy, the Heritage Fund has made available \$362 million in financing for entrepreneurs to start or expand small businesses in Alberta. About \$8 million has been expended to encourage the processing of agricultural products within Alberta.

The Heritage Fund's investment in Syncrude enabled this vital project to proceed. Encouraging the development of more efficient methods of extracting and refining synthetic crude oil will help diversify Alberta's energy industry.

The Heritage Fund has helped to ensure the availability of vital infrastructure such as schools, hospitals, roads, and local and long distance telephone services in Alberta through nearly \$3 billion in financing to provincial corporations.

The Alberta Opportunity Company has assisted the growth and diversification of our economy by providing financing to a wide variety of enterprises such as this exhibit and convention display service.



Alberta Energy Company Ltd. (AEC) (Alberta Investment Division)

AEC was established to encourage Albertans and other Canadians to participate in the development of energy and other natural resources. The majority of AEC's 53,000 shareholders are Albertans. The Company's activities include oil and gas exploration and development and investments in Syncrude, pipelines, petrochemicals, forest products, steel and coal.

In 1985-86, the Heritage Fund received \$109 million in income from its investment. Of this, \$104 million was due to the sale of 6.2 million common shares to AEC for cancellation in April 1985, and the remainder from dividends. As a result of this sale, the proportion of outstanding common shares of AEC owned by the Heritage Fund decreased from 45 per cent to 37 per cent.

Investment at March 31, 1986 (at cost): \$56 million

Alberta Opportunity Company (Alberta Investment Division)

The Alberta Opportunity Company provides loans, loan guarantees and financial guidance to small businesses throughout the province in order to promote the growth and diversification of the provincial economy. The Company provides alternative financing to Alberta businesses with priority given to those located outside major centres. In 1985-86, the Company made 305 loan and 11 guarantee commitments; its direct lending activity totalled \$22 million.

Investment in 1985-86: \$34 million
Investment at March 31, 1986: \$162 million

Vencap Equities Alberta Ltd.

(Capital Projects Division)

In operation since the fall of 1983, Vencap provides equity-linked capital for business activities that it assesses as beneficial to Alberta's economic development. Venture investments in activities such as building products, electronics, computing services, moving and storage, and data telecommunications total over \$50 million. A widely held shareholder owned corporation, Vencap operates at arm's length from the government. The return on the Heritage Fund's investment is in the form of a percentage participation in Vencap's profit each year.

Investment at March 31, 1986: \$200 million

Alberta Opportunity Company provided debt financing and Vencap made an equity investment in an Alberta firm which manufactures printed circuit boards for electronics and computer industries.

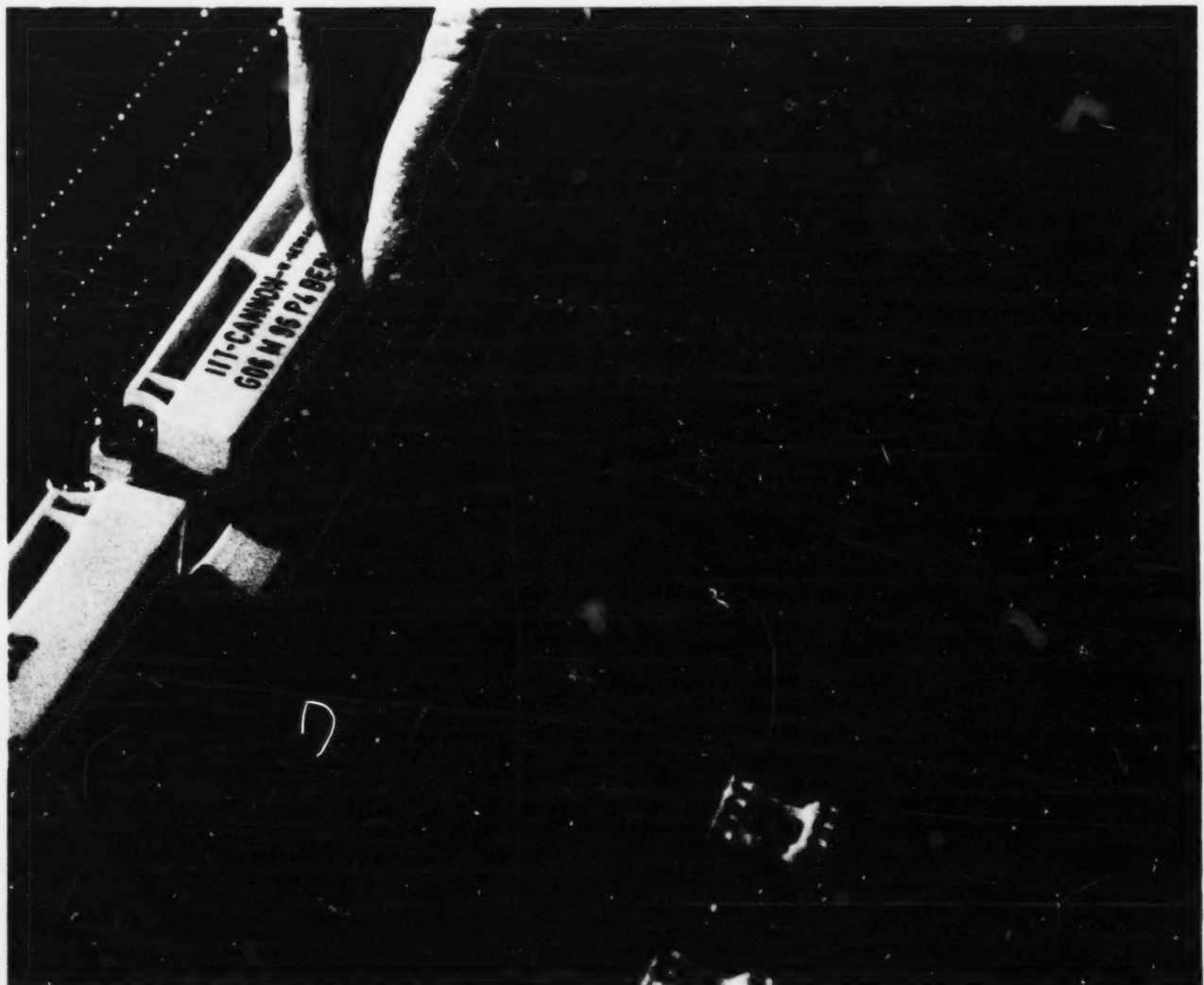
Syncrude

(Alberta Investment Division)

In 1985-86, the Fort McMurray based Syncrude Project produced a record 6.6 million cubic metres (41.5 million barrels) of synthetic crude oil. Alberta's 16.74 per cent participation in the Syncrude Project earned a net profit of \$72 million.

Falling oil prices have had a significant effect on the Project. The price received for Alberta's share of production in March 1986, was at its lowest level since 1979. A capital investment program, which will increase the plant's capacity to 21 900 cubic metres (138,000 barrels) of synthetic crude a day, is underway with completion scheduled in 1988. In addition, an agreement has been reached between Syncrude and the Province of Alberta on the funding of engineering work for a major expansion.

Investment at March 31, 1986: \$459 million



Food Processing Development Centre (Capital Projects Division)

The Centre, located at Leduc, assists the private sector to expand the opportunities for the processing of Alberta's agricultural products. Since opening in 1984, the Centre has helped many Alberta firms in the areas of product development and product evaluation, packaging system assessment, shelf life and sensory evaluation. Many successful projects have used the facilities of the Centre to go through the stages of concept development, taste panel evaluation, pilot scale processing and ultimately production of up to 1,000 cases of product for test marketing.

Investment in 1985-86: \$1 million

Investment at March 31, 1986: \$8 million

Airport Terminal Buildings (Capital Projects Division)

Eighteen airport terminals were completed in Alberta communities between 1979-80 and 1983-84. By constructing new air terminals or upgrading existing facilities, this Heritage Fund project has developed an important link in the infrastructure serving the economic and other needs of Alberta's smaller centres.

Investment at March 31, 1986: \$16 million

Corporate Securities (Alberta Investment Division; Energy Investment Division)

Investments made in previous years include common shares of the Bank of Alberta and debentures of Bralorne Resources Ltd. and IPSCO Inc. held under the Alberta Investment Division and debentures of Luscar Ltd. held under the Energy Investment Division.

Investment at March 31, 1986: \$26 million



The Food Processing Development Centre enables companies to test food products, like sherbet, before commercial scale production.

Alberta Government Telephones Commission (AGT)
(Alberta Investment Division)

AGT provides high quality local, long distance, data and mobile communication services to Albertans. Through its subsidiaries and joint venture partners, AGT helps diversify Alberta's economy as a global supplier of leading edge technology. Alberta Telecommunications International Ltd. takes the expertise of AGT people and the inventive technologies they develop to the United States, the Caribbean and the Pacific Rim. NovAtel created and is now producing a mobile telephone system.

The Commission financed its activities by borrowing in the Canadian public market during 1985-86.

Investment at March 31, 1986: \$1,473 million

Alberta Municipal Financing Corporation
(Alberta Investment Division)

Alberta's municipalities, school systems and hospital districts are able to receive long term capital financing through this Crown corporation based on its cost of obtaining funds. During 1985-86, the Corporation's new lending was financed by borrowing from the Canada Pension Plan Investment Fund and in the Canadian market.

Investment at March 31, 1986: \$1,456 million



Financing from the Heritage Fund has helped Alberta Government Telephones maintain an efficient, high quality telecommunications network for Albertans.

Ten Year Overview

The Heritage Fund is playing an important role in the development of Alberta as a leader in science and technology. By supporting research and the development of technology in medicine, energy, occupational health and electronics, the Heritage Fund is expanding and broadening the productive capacity of Alberta.

Since inception, the Heritage Fund has invested \$359 million to help Alberta become a world centre of medical research. It has attracted the attention and active participation of some of the world's finest researchers — creating a "critical mass" of scientists in this province.

To help diversify our petroleum industry, the Heritage Fund has supported the Alberta Oil Sands Technology and Research Authority (AOSTRA). Through its research accomplishments, AOSTRA has brought Alberta worldwide prominence in oil sands recovery technology.

To provide the necessary infrastructure for a viable electronics industry in Alberta, the Heritage Fund has provided \$8 million to develop the Electronics Test Centre and Microchip Design and Fabrication Facilities.

Applied Heart Disease Research

(Capital Projects Division)

Over the six year period from 1976-77 to 1981-82 the Heritage Fund provided support for applied cardiac research. Programs implemented as a result of this research are now being funded through the General Revenue Fund.

Investment at March 31, 1986: \$29 million

(Capital Projects Division)

Grants are provided through this program for a wide range of research, training and educational activities that address health and safety problems related to employment, especially in high hazard industries.

At the end of the fifth year of this eight year program, a total of 106 grants had been awarded, on a competitive basis, to a variety of employer and worker organizations, private sector groups, educational institutions and researchers.

Investment in 1985-86: \$1 million

Investment at March 31, 1986: \$4 million

Electronics Test Centre

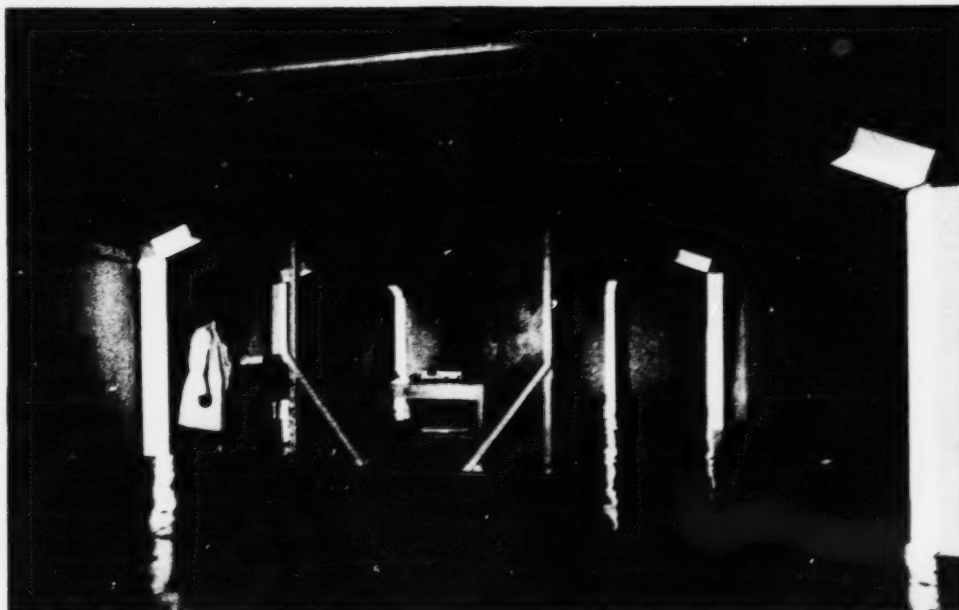
(Capital Projects Division)

The Electronics Test Centre, which is located at the Alberta Research Council's facility in south Edmonton, was opened in December 1985. The Centre provides a variety of testing and design evaluation services to our growing electronics industry. Assistance for product development and marketing is also available.

Investment in 1985-86: \$1 million

Investment at March 31, 1986: \$6 million

The walls and ceiling of this "chapel like" structure at the Electronics Test Centre are constructed without metal to permit interference free testing of electromagnetic emissions.



Microchip Design and Fabrication Facilities

(Capital Projects Division)

During 1985, the Legislature approved capital funding for microelectronic chip design and fabrication facilities to be located in Calgary and Edmonton. Through small scale design and fabrication of microchips, the facilities will provide research and development expertise to universities and industries in Alberta and are essential components for a microelectronics industry in the province.

Investment in 1985-86: \$2 million

Investment at March 31, 1986: \$2 million

Alberta Heritage Foundation for Medical Research Endowment Fund

(Capital Projects Division)

During 1979-80 this \$300 million endowment fund was created to establish and support a balanced, long term program of medical research in Alberta. The Foundation, which applies the investment earnings of the Fund to both basic and clinical research programs, has helped to attract top quality researchers and to make Alberta a world class centre for medical research.

Investment at March 31, 1986: \$300 million

Applied Cancer Research

(Capital Projects Division)

The Heritage Fund has supported the Applied Cancer Research program for ten years. This program assists researchers in Alberta to compete worldwide in the broad field of cancer research and contributes significantly to the accumulated knowledge about the causes, diagnosis and treatment of cancer.

Investment in 1985-86: \$4 million

Investment at March 31, 1986: \$29 million

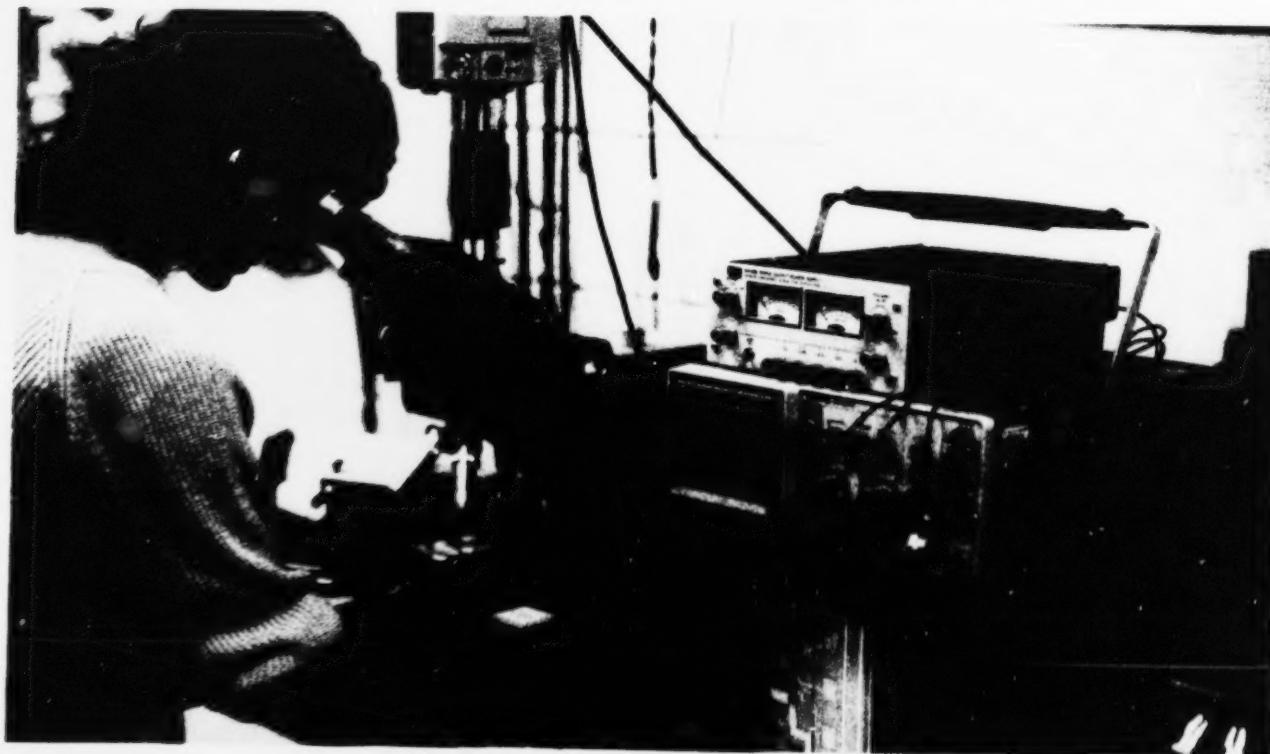
Alberta Oil Sands Technology and Research Authority (AOSTRA)

(Capital Projects Division)

Established in 1974, AOSTRA helps develop technology to recover and process oil from Alberta's oil sands and heavy oil deposits and to increase production from conventional oil reserves. AOSTRA's co-operative program which brings together academic, industry and government activities and resources is a unique and successful initiative for the development of technology for resource exploration. The technology developed with AOSTRA's support is now being applied in commercial production.

Investment in 1985-86: \$50 million

Investment at March 31, 1986: \$351 million



To help develop a viable electronics industry in Alberta, the Heritage Fund is supporting the establishment of microelectronic chip design and fabrication facilities.



HEALTH CARE

Walter C. Mackenzie Health Sciences Centre (Capital Projects Division)

Located at the University of Alberta in Edmonton, this 167 000 square metre (1.8 million square foot) state-of-the-art health centre has been designed to integrate health care, teaching and research, while considering the physical and emotional well-being of patients. The 843 bed facility will be fully opened and occupied by the fall of 1986. The Centre also includes a 125 bed hostel for out-of-town patients (and their families) who need to be near the hospital for treatment or testing but do not require in-patient nursing care.

Investment in 1985-86:	\$44 million
Investment at March 31, 1986:	\$356 million

Tom Baker Cancer Centre and Special Services Facility (Capital Projects Division)

This multi-component facility, located adjacent to the Foothills Provincial General Hospital in Calgary, was opened for patient care in the fall of 1981 and was

Many services are provided at the Tom Baker Cancer Centre and Special Services Facility. The Foothills Diabetes Day Care Clinic includes an education centre where diabetics learn to use "self management" to control their disease.

When the Heritage Fund was established in 1976, one of its major goals was to improve and sustain the quality of life for Albertans in health care, education, recreation, housing and other social areas. With the support of the Heritage Fund, Alberta can do some special things that could not otherwise be done.

In its first ten years the Heritage Fund has helped to ensure that Albertans have access to high quality health care by providing almost \$500 million in funding for special facilities that are among the finest in North America.

Through three separate projects the Heritage Fund has augmented the already major commitment Alberta makes to education through its annual budget. The Fund has invested \$118 million for scholarships and learning resource materials. These benefit Albertans from elementary through post-secondary levels of education.

Over \$380 million for parks and recreation areas has also been provided through the Heritage Fund. A number of parks in or near major urban centres offer a wide range of easily accessible recreational opportunities for Albertans of all ages.

Finally, the Heritage Fund has strengthened our economy by providing affordable housing for Albertans. There have been over 90,000 housing units built throughout the province, a level of commitment that would have been impossible without the Heritage Fund.



fully completed in 1983-84. Its major components include an auxiliary hospital, a cancer centre, a Provincial laboratory, special services, a hostel unit and a day service centre. It serves as a referral centre for all of southern Alberta.

Investment at March 31, 1986: \$93 million

Alberta Children's Provincial General Hospital (Capital Projects Division)

This hospital, located in Calgary, became operational in 1980-81 and was fully completed in 1983-84. The facility provides for the diagnostic assessment and treatment of children on both an in-patient and out-patient basis. The hospital has a teaching unit for children with complex health problems whose educational needs, either on a short or long term basis, cannot be met in community schools.

Investment at March 31, 1986: \$40 million



Various teaching aids, including films, books, tape recordings and maps were produced and packaged into Heritage Learning Resources kits to help students develop an understanding of Alberta and Canada.

EDUCATION

Alberta Heritage Scholarship Fund (Capital Projects Division)

Earnings from this \$100 million endowment fund provide a variety of scholarships and awards, the majority of which are used for further study at the post-secondary level. Twenty-eight thousand Albertans have benefited from the more than \$40 million paid out under this fund since its inception in 1981-82.

Investment at March 31, 1986: \$100 million

Heritage Learning Resources (Capital Projects Division)

Between the fiscal years 1978-79 and 1980-81, the Heritage Fund supported the development and production of six sets of learning materials dealing with the history, geography, nature and heritage of Alberta and Canada. Some of these materials were produced in French and Ukrainian. Students in all Alberta elementary and secondary schools have access to the materials pertaining to their grade level. As well, parts of the collection were distributed to all municipal libraries, correctional institutions, hospitals, nursing homes, senior citizens residences and some post-secondary institutions within the province.

Investment at March 31, 1986: \$9 million

Library Development (Capital Projects Division)

Over the four year life of this project, Heritage Fund grants enabled all public colleges and universities in Alberta to expand and upgrade their library collections. At the time of project completion in 1982-83, more than 600,000 volumes of library materials had been acquired.

Investment at March 31, 1986: \$9 million

HOUSING

Alberta Mortgage and Housing Corporation (Alberta Investment Division)

The Alberta Mortgage and Housing Corporation assists Albertans in two ways: it constructs rental housing for senior citizens and low to middle income Albertans; and it makes mortgage loans to help low and middle income Albertans find affordable rental and ownership housing in the private market.

Nearly \$17 million was committed in 1985-86 to provide rental housing to senior citizens below cost. Under the Senior Citizens Self-Contained Program, the Corporation committed funds to construct 156 units in 1985-86. These projects, for healthy and active seniors, are found in communities throughout Alberta. Commitments were also made for 20 units in Senior Citizens Lodges. As well, the Corporation committed to construct 16 units under the Community Housing Program for low to moderate income Albertans.

Under its Family Home Purchase Program, the Corporation committed \$25 million for mortgage financing in 1985-86. These loans, together with subsidies to reduce monthly mortgage payments, enabled 574 Alberta families to purchase their own homes.

Investment in 1985-86: \$185 million
Investment at March 31, 1986: \$3,387 million



The Virginia Park complex in Edmonton, which was financed by Alberta Mortgage and Housing Corporation, is a combination of self-contained apartments and a lodge for seniors who require increased care. Residents enjoy many special events, like this monthly birthday party.

RECREATION

Kananaskis Country Recreation Development (Capital Projects Division)

Since 1978, this 4 100 square kilometre (1,600 square mile) multi-resource area, with its emphasis on recreation facilities and opportunities, has been developed with the support of the Heritage Fund. However, throughout development, natural resource conservation and wildlife enhancement have been major considerations and were not compromised.

Kananaskis Country has more than 3,000 campsites, including the Mount Kidd Recreational Vehicle Park; more than 75 roadside picnic areas; a 36-hole world class golf course; trail systems for hiking, cross-country skiing, bicycling, snowmobiling, off-highway vehicles and equestrian use; trout-stocked ponds; interpretive trails and exhibits and extensive visitor services. More than two million visitors enjoyed Kananaskis Country in the summer of 1985.

The popularity of William Watson Lodge, which provides accommodation for the disabled and seniors in Peter Lougheed Provincial Park, has resulted in construction of four new buildings at the same site. Construction is also proceeding on the infrastructure for the Alpine Village at Ribbon Creek, Kananaskis Country's first hotel-type accommodation.

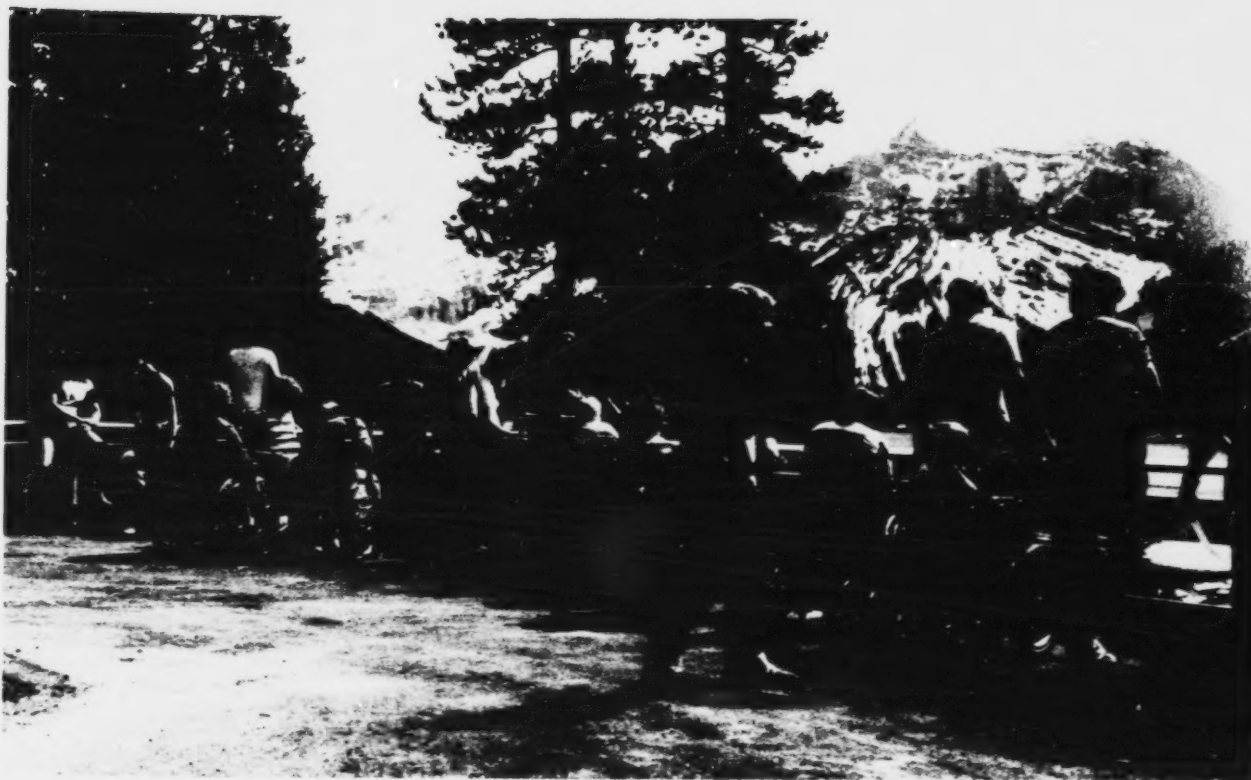
Investment in 1985-86: \$15 million
Investment at March 31, 1986: \$212 million

Urban Parks

(Capital Projects Division)

Through this program the five cities involved receive grant funds to buy land and to plan and develop park space. As well as enhancing the outdoor recreational opportunities available to residents of these cities, these parks help preserve the natural environment. Bud Miller All Seasons Park in Lloydminster is virtually complete and while construction and development continues in Medicine Hat, Lethbridge, Red Deer, and Grande Prairie, completed components of these parks are being enjoyed by thousands of Albertans.

Investment in 1985-86: \$20 million
Investment at March 31, 1986: \$82 million



Facilities such as William Watson Lodge, designed to accommodate the handicapped, ensure that Kananaskis Country can be enjoyed by all Albertans.

Capital City Recreation Park (Capital Projects Division)

This 1 200 hectare (2,960 acre) park, located in Edmonton and the neighboring County of Strathcona, provides a broad range of leisure opportunities such as 55 kilometres (34 miles) of bicycle and hiking paths, a family recreation centre, picnic and nature areas, fountains and a fish pond. Also, eight science pavilions featuring science and technology displays and archaeological artifacts and a ski pavilion are provided. Only land acquisitions for land use control and environmental purposes remain to complete the project.

Fish Creek Provincial Park (Land and Development) (Capital Projects Division)

Fish Creek Provincial Park, located in Calgary, provides year round recreational opportunities to residents of Calgary as well as tourists. While much of its 1 330 hectares (3,300 acres) has been retained in a natural state, the park includes facilities such as a visitor centre offering general information and interpretive programs, an environmental education centre, the Sikome Lake recreation area which includes a 3.6 hectare (nine acre) swimming and skating lake, an equestrian centre, and a number of amphitheatres, picnic areas and historical sites. Only minor land acquisitions remain to complete the project.

Investment in 1985-86:	\$0.4 million
Investment at March 31, 1986:	\$45 million

Ten Year Overview

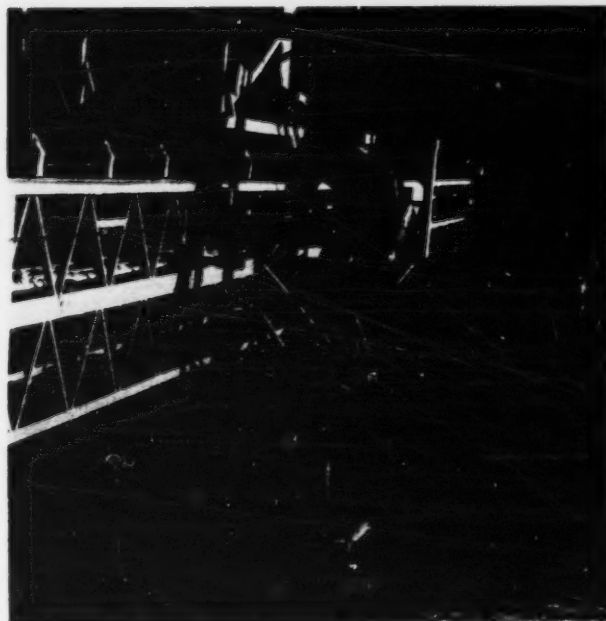
Enhancing the quality of Alberta's environment has been an objective of the Heritage Fund since its inception in 1976. In particular, water control and supply, forest productivity enhancement, and land revitalization were envisioned as areas of sound investment which would improve the quality of life, foster economic development, and create job opportunities for Albertans.

Over its first ten years, the Heritage Fund has invested more than \$250 million to modernize irrigation headworks and canal systems and build new water storage facilities. Water is now more available where and when it is needed in southern Alberta.

The flooding of Alberta lakes and rivers has historically inflicted significant damage upon rural communities in the province. In an effort to mitigate this environmental problem, over \$44 million has been invested to control the water level of two key problem areas — Lesser Slave Lake and Paddle River.

To facilitate the replacement and maintenance of one of Alberta's vital renewable resources, \$39 million has been invested in reforestation, applied research, and in the construction of a forest nursery to produce conifer seedling stock. These investments will foster growth in our important forest industry.

The revitalization of disturbed areas through land reclamation has ensured continued productivity of Alberta lands. To date, the Heritage Fund has contributed \$26 million towards land reclamation and associated research.



Innovative, specially designed equipment is helping to increase the capacity and efficiency of canals throughout southern Alberta under the Irrigation Headworks and Main Irrigation Systems Improvement project.

Irrigation Headworks and Main Irrigation Systems Improvement

(Capital Projects Division)

As an integral part of our broad water management policy, this program supports the rehabilitation, upgrading or replacement of existing irrigation headworks and delivery systems, and the development of new water storage and delivery systems.

In the past year, construction continued to enlarge and rehabilitate the Lethbridge Northern Irrigation District headworks and main canal and the St. Mary River Irrigation District main canal. Construction of the Keho Lake Reservoir Development was completed and work on the Forty Mile Coulee Reservoir, near Taber, was initiated.

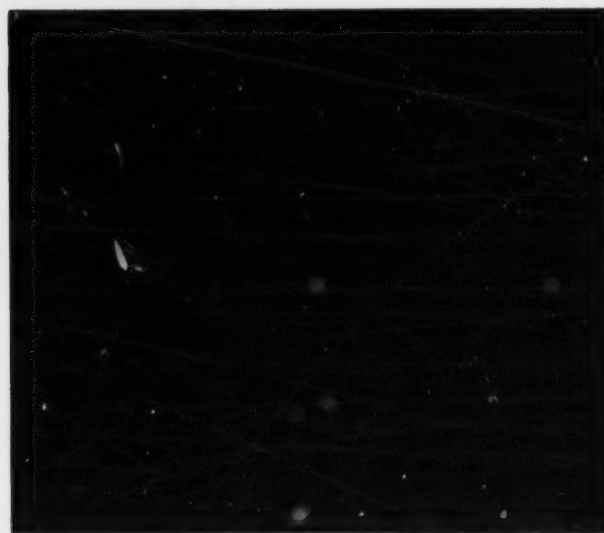
Investment in 1985-86:	\$54 million
Investment at March 31, 1986:	\$255 million

Paddle River Basin Development

(Capital Projects Division)

The control of flooding caused by the Paddle River and the provision of an assured water supply for the area are vital and integral components of Alberta's water management program. To achieve this, a 30 metre (98 foot) high dam on the river's upper reaches has been constructed. Related works include dykes, flood free road systems and channel improvements in the flood plain area. The resulting reservoir will also help foster the future development of recreational facilities.

Investment in 1985-86:	\$1 million
Investment at March 31, 1986:	\$41 million



The Paddle River Dam will help control the Paddle River and minimize the potential for flood damage to roads, homes and productive land in the area.

Lesser Slave Lake Outlet

(Capital Projects Division)

With the 1983-84 completion of outlet facilities to help stabilize lake levels, a perennial problem of the flooding of communities and agricultural lands around the perimeter of Lesser Slave Lake has been resolved.

Investment at March 31, 1986: \$3 million

Maintaining Our Forests

(Capital Projects Division)

During the past year, nearly 12 000 hectares (30,000 acres) were planted with seedlings to help realize the objective of re-establishing and improving the productivity of coniferous forests damaged by fire, industrial and non-forestry zoning. In addition, a number of applied research projects, many in co-operation with industry, are being conducted with the intent of enhancing future forest productivity. This Heritage Fund project is making an important contribution to the maintenance and renewal of Alberta's forest resource.

Investment in 1985-86: \$4 million

Investment at March 31, 1986: \$24 million

Alberta Reforestation Nursery

(Capital Projects Division)

Since it became operational in 1980-81, the Pine Ridge Forest Nursery has been a valuable source of conifer seedling supply for both government and industry. During the year, over 29 million seedlings were shipped from the nursery and used to establish new forests on harvested Crown land, burned-over land and potentially productive areas throughout Alberta. Capital funding for this project was completed in 1984-85.

Investment at March 31, 1986: \$15 million

Land Reclamation

(Capital Projects Division)

The principal objective of this project is to reclaim land disturbed by industrial and commercial activities and to restore the land to its level of capability prior to disturbance. Work under this project has focussed primarily on abandoned garbage dumps, sewage lagoons, gravel pits and mine sites throughout Alberta. As well, funds continue to be committed in support of research projects concerned with improving methods of land reclamation.

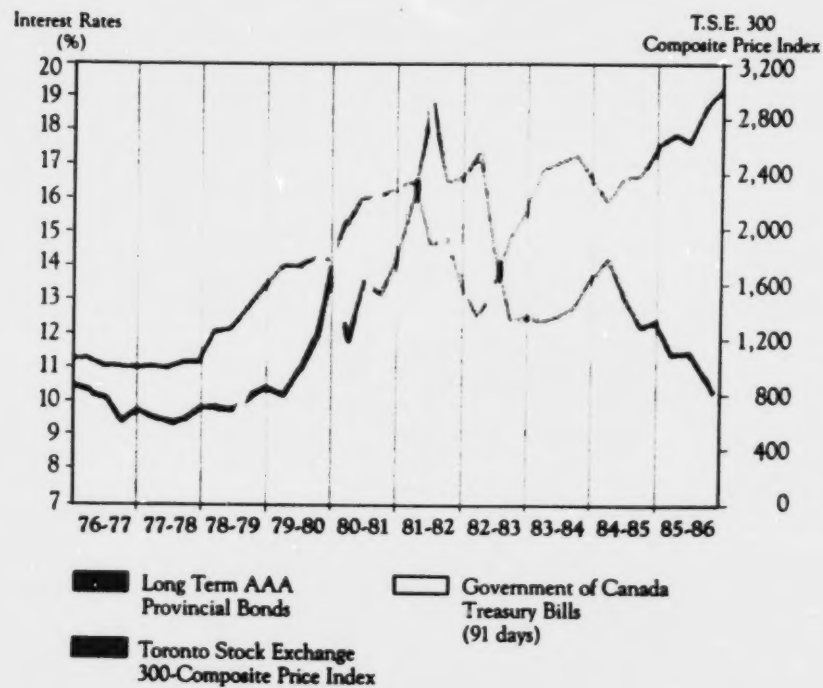
Investment in 1985-86: \$3 million

Investment at March 31, 1986: \$26 million

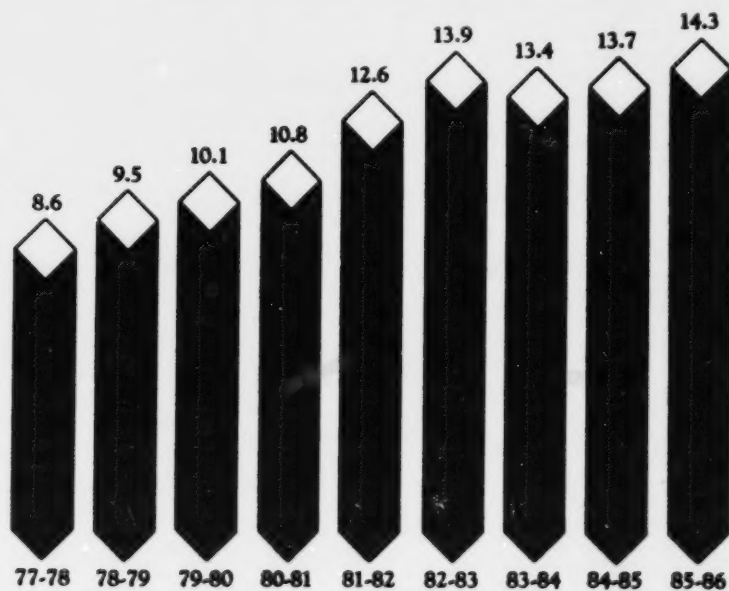


The Pine Ridge Forest Nursery produces millions of conifer seedlings a year. Combined with the Maintaining Our Forests project it plays a major role in preserving and improving one of Alberta's vital renewable resources.

Market Trends 1976-77 to 1985-86



Rates of Return on Investments (percentages)



Other Investments

These investments assist in diversifying the investment portfolio of the Fund and provide Albertans with significant financial returns.

Canada Investment Division

Through the Canada Investment Division, the Heritage Fund has invested in debentures issued by the governments of six other Canadian provinces or their agencies. Interest rates on these debentures range from 9.5 per cent to 17.8 per cent.

No new loans were made under the Canada Investment Division in 1985-86. Lending under the Canada Investment Division has been suspended since March 1982, to help ensure that funds are available to meet priority needs in Alberta.

During 1985-86, interest on these loans made in previous years contributed \$238 million toward the Fund's investment earnings. Scheduled principal repayments totalling \$8 million were also received during 1985-86.

Investment at March 31, 1986: \$1,864 million

Commercial Investment Division

The primary objective of the Commercial Investment Division is to earn a commercial rate of return in keeping with the Heritage Fund's savings objective. The Division's emphasis on equity investments helps diversify the Fund's overall portfolio. The equity portfolio represents a broad range of Canadian industrial sectors and public companies. Investments are managed on a passive basis and are limited to no more than five per cent of the shares outstanding of any one company.

The Division was started in the 1981-82 fiscal year with an allocation of \$200 million. In 1984-85, the Investment Committee decided to permit the \$200 million limit on the Division to increase by the amount of net investment income earned by the Division.

The Division contributed \$17 million in dividends and interest and realized capital gains to the Heritage Fund's investment income in 1985-86. At year end, the market value of the portfolio exceeded its cost by \$157 million.

Investment (net) in 1985-86: \$16 million
Investment at March 31, 1986: \$217 million

Deposits

Funds which are not immediately required for investment in any of the five Investment Divisions are invested in high quality debt securities under section 10 of the Alberta Heritage Savings Trust Fund Act. Holdings increased during the year as the funds needed for the Investment Divisions were more than adequately provided from the combination of the resource revenue transfer and repayments and maturities of earlier investments.

The largest part of the portfolio, \$1,680 million at March 31, 1986, was invested in short term money market securities and in the province's Consolidated Cash Investment Trust Fund. The average term to maturity on short term money market investments was 74 days at March 31, 1986. The average yield to maturity on these short term holdings was 10.4 per cent at March 31, 1986, down from 10.8 per cent a year earlier, reflecting the prevailing lower interest rates.

Bonds and mid-term money market holdings were primarily marketable federal and provincial securities. During the year these holdings were reduced from \$235 million to \$95 million.

Section 10 investments earned a rate of return based on amortized cost of 9.4 per cent and contributed \$185 million to the Fund's investment income during the fiscal year.

Investment (net) in 1985-86: \$394 million
Investment at March 31, 1986: \$1,775 million

Yields on Investments

	Rate of Return on Amortized Cost ^a	Yield to Maturity on Amortized Cost of Fixed Income Securities
	(%)	(%)
Canada Investment Division	13.1	13.1
Alberta Investment Division	15.8	14.0
Energy Investment Division	15.7	14.6
Commercial Investment Division	8.7 ^b	10.9
Deposits and Marketable Securities	9.4	10.9
	14.3	13.4

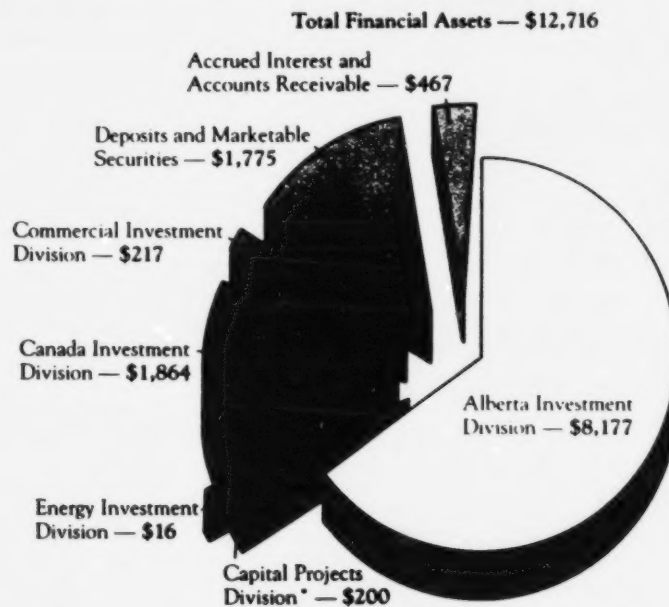
^a Rate of return is calculated using the time weighted method commonly used by major independent performance measurement services.

^b Does not include the unrealized appreciation in market value of shares.

^c Money market securities only.

Composition of Financial Assets at March 31, 1986

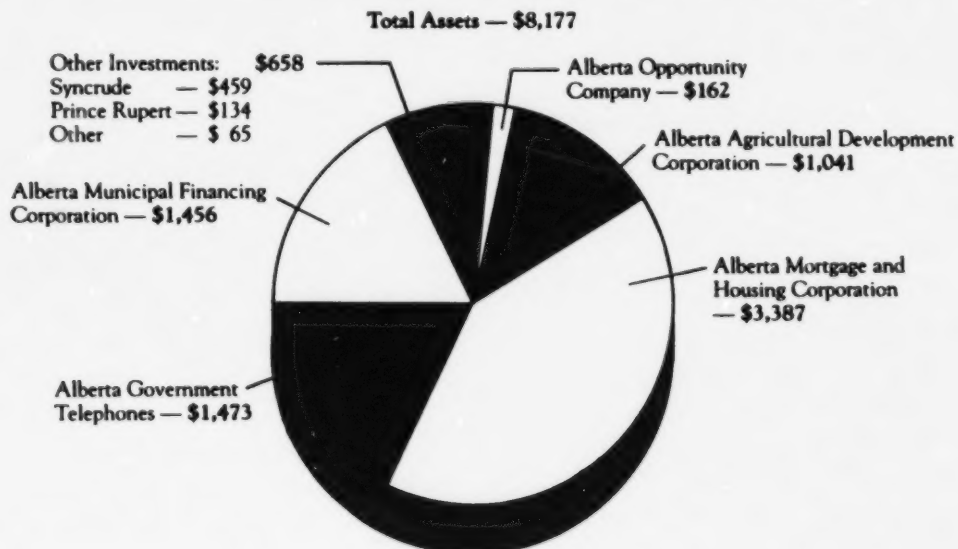
(millions of dollars)



* Total investment under the Capital Projects Division amounts to \$2,602 million, of which \$2,402 million are deemed assets.

Composition of Alberta Investment Division at March 31, 1986

(millions of dollars)



Annual Review: 1976-1986
(millions of dollars)

	1985-86	1984-85	1983-84
Transfer of Non-Renewable Resource Revenue to the Heritage Fund _____	685	737	719
Net Income Earned on the Fund's Investments _____	1,667	1,575	1,467
Income Transferred to Budgetary Revenues _____	1,667	1,575	1,469^a
Expenditures on Non-Recoverable Capital Projects Division Projects (Deemed Assets) _____	240	228	330
New Funds Available to the Heritage Fund for Income Earning Investments _____	445	509	387
Financial Assets of the Heritage Fund at the Beginning of the Year	12,274	11,776	11,397
Financial Assets of the Heritage Fund at the End of the Year _____	<u>12,716</u>	<u>12,274</u>	<u>11,776</u>
Alberta Investment Division^d _____	8,177	8,151	8,079
Capital Projects Division ^e _____	200	200	200
Energy Investment Division _____	16	24	25
Canada Investment Division _____	1,864	1,870	1,896
Commercial Investment Division _____	217	201	199
Deposits and Marketable Securities and Other Assets _____	2,242	1,828	1,377
Financial Assets _____	<u>12,716</u>	<u>12,274</u>	<u>11,776</u>

- a) Net investment income before deducting administrative expenses. Pursuant to an amendment to the Heritage Fund Act, effective April 1, 1984, the transfer was changed to net income after deducting administrative expenses.
b) On August 30, 1976, an initial capital contribution of \$1.5 billion was made to the Heritage Fund.
c) After a further minor adjustment for changes in accounts payable.

1982-83	1981-82	1980-81	1979-80	1978-79	1977-78	1976-77
1,370	1,434	1,444	1,332	1,060	931	620
1,482	1,007	724	343	294	194	88
866 ^a	—	—	—	—	—	—
296	349	227	478	132	87	36
1,690	2,092	1,941	1,197	1,222	1,038	672
9,700	7,618	5,686	4,450	3,251	2,182	1,500 ^b
11,397	9,700	7,618	5,686	4,450	3,251	2,182
8,158	6,335	4,524	3,140	3,167	2,276	1,566
—	—	—	—	—	—	—
25	25	25	—	—	—	—
1,903	1,909	1,492	929	270	96	50
199	189	—	—	—	—	—
1,112	1,242	1,577	1,617	1,013	879	566
11,397	9,700	7,618	5,686	4,450	3,251	2,182

d) Prior to 1979-80 includes investments in Alberta Municipal Financing Corporation and the Alberta Government Telephones Commission held by the Heritage Fund and transferred to the Alberta Investment Division in that year.

e) Investments in Vencap Equities Alberta Ltd.

Summary of Investment Transactions For the Year Ended March 31, 1986

	Cost March 31, 1985	Purchases	Amortization and Writedown	Disposals, Repayments and Redemptions	Cost March 31, 1986
	(millions of dollars)				
Investments in Provincial Corporations:					
Alberta Agricultural Development Corporation Debentures					
Investments at March 31, 1985	954.5		—	22.3	932.2
Investments made during 1985-86:					
11.45% Aug. 1, 2010		17.0	—	—	17.0
11.22% Sep. 1, 2010		34.0	—	—	34.0
9.84% Mar. 23, 2011		58.0	—	—	58.0
	954.5	109.0	—	22.3	1,041.2
Alberta Government Telephones Commission Debentures					
Investments at March 31, 1985	1,471.2		1.5	—	1,472.7
Investment made during 1985-86:		—	—	—	—
	1,471.2	—	1.5	—	1,472.7
Alberta Mortgage and Housing Corporation Debentures					
Investments at March 31, 1985	3,373.8		—	171.4	3,202.4
Investments made during 1985-86:					
10.13% Oct. 15, 2005		20.0	—	—	20.0
10.13% Nov. 15, 2005		20.0	—	—	20.0
10.13% Dec. 15, 2005		40.0	—	—	40.0
10.72% Jan. 15, 2006		25.0	—	—	25.0
10.13% Jan. 15, 2006		20.0	—	—	20.0
10.13% Feb. 15, 2006		20.0	—	—	20.0
10.13% Mar. 15, 2006		10.0	—	—	10.0
11.31% Oct. 1, 2010		20.0	—	—	20.0
10.38% Jan. 2, 2011		10.0	—	—	10.0
	3,373.8	185.0	—	171.4	3,387.4
Alberta Municipal Financing Corporation Debentures					
Investments at March 31, 1985	1,453.9		2.1	—	1,456.0
Investment made during 1985-86:		—	—	—	—
	1,453.9	—	2.1	—	1,456.0
Alberta Opportunity Company Debentures					
Investments at March 31, 1985	167.2		—	38.8	128.4
Investments made during 1985-86:					
10.44% Jun. 15, 1990		5.0	—	—	5.0
9.75% Dec. 15, 1990		5.0	—	—	5.0
9.29% Mar. 31, 1991		24.0	—	—	24.0
	167.2	34.0	—	38.8	162.4
Total Provincial Corporations	7,420.6	328.0	3.6	232.5	7,519.7

	Cost March 31, 1985	Purchases	Amortization and Writedown	Disposals, Repayments and Redemptions	Cost March 31, 1986
	(millions of dollars)				
Other Alberta Investment					
Division Investments:					
Bralorne Resources Ltd. debenture					
12.875% Aug. 15, 1995	4.3	—	—	0.4	3.9
IPSCO Inc.					
14.50% May 15, 1995	4.2	—	—	0.4	3.8
Ridley Grain Ltd. debenture					
11.00% Jul. 31, 2015	129.4	4.6	—	—	134.0
Canadian Commercial Bank debenture	5.0	—	—	5.0	—
TransAlta Utilities Corporation debenture					
13.75% Apr. 17, 1985	20.0	—	—	20.0	—
Northland Bank certificates of deposits	50.0	—	—	50.0	—
Northland Bank debenture	—	5.0	(5.0)	—	—
Alberta Energy Company Ltd.					
common shares	76.8	—	—	21.1	55.7
Bank of Alberta					
common shares	1.6	—	—	—	1.6
Participation in Syncrude Project	439.0	206.3	—	186.7	458.6
Total	8,150.9	543.9	(1.4)	516.1	8,177.3

Summary of Investment Transactions For the Year Ended March 31, 1986

	Cost March 31, 1985	Purchases	Disposals, Repayments and Redemptions	Cost March 31, 1986
	(millions of dollars)			
Luscar Ltd. debenture 13.875% Dec. 2, 1989	23.8	—	7.5	16.3

Summary of Investment Transactions For the Year Ended March 31, 1986

	Cost March 31, 1985	Purchases	Amortization and Writedown	Disposals, Repayments and Redemptions	Cost March 31, 1986	Market Value March 31, 1986
	(millions of dollars)					
Money market securities	4.5	34.6	0.4	30.7	8.8	8.8
Convertible bonds	14.2	0.8	—	—	15.0	17.0
Common and preferred shares	182.6	22.0	(1.2)	9.9	193.5	348.8
Total	201.3	57.4	(0.8)	40.6	217.3	374.6

Summary of Investment Transactions For the Year Ended March 31, 1986

	Par Value March 31, 1986	Cost March 31, 1985	Purchases	Amortization	Repayments and Redemptions	Cost March 31, 1986
	(millions of dollars)					
Province of Manitoba	260.0	258.7	—	0.3	—	259.0
Province of New Brunswick	247.0	244.8	—	0.3	—	245.1
New Brunswick Electric Power Commission	135.0	133.3	—	0.2	—	133.5
	382.0	378.1	—	0.5	—	378.6
Province of Newfoundland	155.0	154.2	—	0.2	—	154.4
Newfoundland and Labrador Hydro	150.0	148.1	—	0.1	—	148.2
Newfoundland Municipal Financing Corporation	73.2	74.1	—	0.1	1.7	72.5
	378.2	376.4	—	0.4	1.7	375.1
Province of Nova Scotia	235.0	232.0	—	0.3	—	232.3
Nova Scotia Municipal Finance Corporation	52.9	57.2	—	—	4.6	52.6
Nova Scotia Power Corporation	125.0	123.8	—	0.1	—	123.9
	412.9	413.0	—	0.4	4.6	408.8
Province of Prince Edward Island	66.0	67.0	—	—	2.0	65.0
Hydro-Quebec	385.0	376.7	—	0.4	—	377.1
Total	1,884.1	1,869.9	—	2.0	8.3	1,863.6

Alberta Heritage Savings Trust Fund

Financial Statements

March 31, 1996

Auditor's Report	38
Balance Sheet	39
Statement of Income, Retained Earnings, Transfers and Fund Equity	40
Statement of Changes in Financial Position	41
Capital Projects Division, Statement of Amounts Expended	42
Notes to the Financial Statements	43
Schedule of Cash and Marketable Securities	46
Schedule of Canada Investment Division Investments	47
Schedule of Alberta Investment Division Investments	48
Schedule of Energy Investment Division Investments	50
Schedule of Commercial Investment Division Investments	50
Schedule of Capital Projects Division Investments	51

Alberta Heritage Savings Trust Fund

Auditor's Report

To the Provincial Treasurer

I have examined the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1986 and the statements of income, retained earnings, transfers and fund equity, changes in financial position and Capital Projects Division amounts expended for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at March 31, 1986 and the results of its operations, the changes in its financial position and the amounts expended within the Capital Projects Division for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Ronald H. Salmon

C.A.
Auditor General

Edmonton, Alberta
June 27, 1986

Alberta Heritage Savings Trust Fund

ASSETS AND DEEMED ASSETS

	<u>1986</u>	<u>1985</u>
	(thousands of dollars)	
Assets:		
Cash and marketable securities, Schedule 1 _____	\$ 1,775,012	\$ 1,381,135
Accrued interest and accounts receivable _____	449,800	441,264
Due from the General Revenue Fund _____	16,988	5,624
Canada Investment Division investments, Schedule 2 _____	1,863,587	1,869,947
Alberta Investment Division investments, Schedule 3 _____	8,177,305	8,150,898
Energy Investment Division investments, Schedule 4 _____	16,250	23,750
Commercial Investment Division investments, Schedule 5 _____	217,272	201,242
Capital Projects Division investments, Schedule 6 _____	199,998	199,999
	<u>12,716,212</u>	<u>12,273,859</u>
Deemed Assets:		
Capital Projects Division investments, Schedule 6 _____	2,402,481	2,162,393
	<u>\$15,118,693</u>	<u>\$14,436,252</u>

LIABILITIES AND FUND EQUITY

Liabilities:		
Accounts payable _____	\$ 23,512	\$ 25,708
Fund Equity:		
Represented by net assets _____	12,692,700	12,248,151
	<u>12,716,212</u>	<u>12,273,859</u>
Represented by deemed assets _____	2,402,481	2,162,393
	<u>\$15,118,693</u>	<u>\$14,436,252</u>

The accompanying notes are part of these financial statements.

Alberta Heritage Savings Trust Fund

Statement of Income, Retained Earnings

	<u>1986</u>	<u>1985</u>
	(thousands of dollars)	
Income and Retained Earnings:		
Investment income before the undernoted _____	\$ 1,563,469	\$ 1,576,403
Net gain on disposals of investments _____	111,089	1,890
Write-off and write-down of investments _____	(6,249)	(1,231)
Net investment income (Note 3) _____	1,668,309	1,577,062
Administrative expenses (Note 4) _____	1,446	1,777
Net income _____	1,666,863	1,575,285
Transfer to the General Revenue Fund (Note 5) _____	1,666,863	1,575,285
Net increase in retained earnings _____	—	—
Retained earnings at beginning and end of year _____	3,262,247	3,262,247
Transfers from the General Revenue Fund:		
Non-renewable resource revenue transfer (Note 6) _____	684,637	737,198
Cumulative transfers at beginning of year _____	11,148,297	10,411,099
Cumulative transfers at end of year _____	11,832,934	11,148,297
Fund equity at end of year _____	<u>\$15,095,181</u>	<u>\$14,410,544</u>
Represented by:		
Net assets _____	\$12,692,700	\$12,248,151
Deemed assets _____	2,402,481	2,162,393
	<u>\$15,095,181</u>	<u>\$14,410,544</u>

Alberta Heritage Savings Trust Fund

Change in Financial Position
March 31, 1986

	<u>1986</u>	<u>1985</u>
	(thousands of dollars)	
Operating transactions:		
Net income _____	\$ 1,666,863	\$ 1,575,285
Non-cash items:		
Net gain on disposals of investments _____	(111,089)	(1,890)
Amortization of discount/premium on investments, net _____	(5,996)	(6,080)
Write-off and write-down of investments _____	6,249	1,231
Decrease (increase) in receivables _____	(19,900)	9,814
Decrease in payables _____	(2,196)	(11,647)
Cash provided by operating transactions _____	<u>1,533,931</u>	<u>1,566,713</u>
Investing transactions:		
Proceeds from disposals, repayments and redemptions of investments:		
Canada Investment Division _____	8,300	28,300
Alberta Investment Division _____	619,991	424,601
Energy Investment Division _____	7,500	1,250
Commercial Investment Division _____	47,753	32,696
Capital Projects Division _____	1	1
Investments:		
Alberta Investment Division _____	(543,840)	(492,475)
Commercial Investment Division _____	(57,445)	(33,729)
Capital Projects Division investments _____	<u>(240,088)</u>	<u>(227,755)</u>
Cash applied to investing transactions _____	<u>(157,828)</u>	<u>(267,111)</u>
Transfers:		
Non-renewable resource revenue transfer from the General Revenue Fund _____	684,637	737,198
Transfer to the General Revenue Fund _____	<u>(1,666,863)</u>	<u>(1,575,285)</u>
Cash applied to transfers _____	<u>(982,226)</u>	<u>(838,087)</u>
Increase in cash and marketable securities _____	393,877	461,515
Cash and marketable securities at beginning of year _____	<u>1,381,135</u>	<u>919,620</u>
Cash and marketable securities at end of year _____	<u>\$ 1,775,012</u>	<u>\$ 1,381,135</u>

Alberta Heritage Savings Trust Fund

Projects Division

<u>Department/Project</u>	<u>Amounts Authorized</u>	<u>Amounts Expended</u>	<u>Unexpended (Over Expended)</u>
	(thousands of dollars)		
Agriculture			
Farming For The Future _____	\$ 5,000	\$ 4,730	\$ 270
Food Processing Development Centre _____	1,365	1,385	(20)
Irrigation Rehabilitation and Expansion _____	30,000	29,911	89
Energy and Natural Resources			
Alberta Oil Sands Technology and Research Authority _____	50,000	50,000	—
Environment			
Irrigation Headworks and Main Irrigation Systems Improvement _____	60,000	54,265	5,735
Land Reclamation _____	3,000	2,776	224
Oldman River Dam _____	25,839	—	25,839
Paddle River Basin Development _____	960	950	10
Executive Council			
Occupational Health and Safety Research and Education _____	1,000	862	138
Forestry			
Grazing Reserves Development _____	3,685	3,482	203
Maintaining Our Forests _____	4,214	4,197	17
Hospitals and Medical Care			
Applied Cancer Research _____	4,662	4,417	245
Walter C. Mackenzie Health Sciences Centre _____	44,000	44,000	—
Public Works, Supply and Services			
Capital City Recreation Park _____	1,000	—	1,000
Fish Creek Provincial Park (Land) _____	1,780	365	1,415
Recreation and Parks			
Kananaskis Country Recreation Development _____	19,426	15,165	4,261
Urban Parks _____	22,155	19,944	2,211
Technology, Research and Telecommunications			
Electronic Products Test Centre _____	1,385	1,385	—
Microchip Design and Fabrication Facilities _____	7,750	2,254	5,496
	<u>\$287,221</u>	<u>\$240,088</u>	<u>\$47,133</u>

Alberta Heritage Savings Trust Fund

Authority

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act, Chapter A-27, Revised Statutes of Alberta 1980, as amended.

Summary of Significant Accounting Policies and Reporting Practices

- (i) These financial statements have been prepared in accordance with generally accepted accounting principles, except as follows:
 - (a) The investment in Alberta Energy Company Ltd., which represents 37% of the total number of issued and outstanding voting shares of the company, included in the Alberta Investment Division is valued at cost. Income is recognized only to the extent that dividends are received or receivable. The book value of the investment is not adjusted for the Fund's pro rata share of retained earnings of the company.
 - (b) Capital Projects Division investments represent the aggregate net amount expended from November 4, 1976 to March 31, 1986 under the authority of "Appropriation Acts" passed pursuant to subsection 6(2)(a) of the Alberta Heritage Savings Trust Fund Act. These investments are deemed to be assets of the Trust Fund with a value equal to the amounts expended pursuant to subsection 6(8)(a) of the Alberta Heritage Savings Trust Fund Act. Amounts expended which are recoverable by the Fund are not included in Deemed Assets but are shown separately as assets of the Fund. Amounts expended, not recoverable by the Fund, are shown as Deemed Assets.
- (ii) Other significant accounting policies are as follows:
 - (a) Securities included in the Canada Investment Division, the Alberta Investment Division, the Energy Investment Division and the Commercial Investment Division are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the securities.
 - (b) The participation in the Syncrude Project, included in the Alberta Investment Division, is accounted for at cost less amortization and depreciation.
 - (c) Bonds, bond coupons and residuals and mid-term money market securities included in marketable securities are valued at cost or market value, whichever is lower, on an aggregate basis. Short-term money market securities are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the securities.
 - (d) The cost of disposals is determined on the average cost basis. Gains and losses arising as a result of disposals and any change in the provision to adjust the cost of marketable securities to the lower of cost or market value, on an aggregate basis, are included in the determination of net investment income.
 - (e) Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.
 - (f) Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.
 - (g) Marketable securities and payables in respect of forward exchange contracts denominated in foreign currency are translated at the current rate of exchange at the balance sheet date.
Unrealized exchange gains or losses which relate to the translation of hedged monetary assets are deferred.
Amounts deferred are included in accounts payable.

Segmented Information

Segmented information on net investment income is as follows:

	<u>1986</u>	<u>1985</u>
Cash and marketable securities:		
Deposit in the Consolidated		
Cash Investment Trust Fund _____	\$ 16,522,000	\$ 15,082,000
Money market securities,		
short-term and mid-term _____	131,767,000	94,432,000
Bond coupons and residuals _____	1,498,000	—
Bonds _____	34,787,000	45,915,000
Canada Investment Division investments:		
Debentures _____	238,417,000	242,358,000
Alberta Investment Division investments:		
Money market securities, mid-term _____	2,433,000	2,183,000
Debentures _____	1,033,704,000	1,061,418,000
Common shares _____	108,901,000	5,686,000
Participation in Syncrude Project (a) _____	72,022,000	86,474,000
Energy Investment Division investments:		
Debenture _____	3,080,000	3,455,000
Commercial Investment Division		
investments:		
Money market securities, short-term _____	427,000	369,000
Convertible bonds _____	1,655,000	1,610,000
Common and preferred shares _____	15,400,000	8,605,000
Capital Projects Division investments:		
Participating debenture of		
Vencap Equities Alberta Ltd. _____	7,696,000	9,475,000
	<u>\$1,668,309,000</u>	<u>\$1,577,062,000</u>
 (a) Participation in Syncrude		
Project comprises:		
Sales of share of substances		
produced _____	\$ 236,169,000	\$ 240,234,000
Less share of operating costs _____	164,147,000	153,760,000
	<u>\$ 72,022,000</u>	<u>\$ 86,474,000</u>

Administrative Expenses

	<u>1986</u>	<u>1985</u>
Expenses paid directly from the Fund		
pursuant to section 11(1) of the Alberta		
Heritage Savings Trust Fund Act _____	\$ 368,000	\$ 586,000
Other administrative expenses estimated		
and charged to the Fund pursuant to		
section 11(2) of the Alberta Heritage		
Savings Trust Fund Act _____	<u>1,078,000</u>	<u>1,191,000</u>
	<u>\$1,446,000</u>	<u>\$1,777,000</u>

Administrative expenses for the year ended March 31, 1986 relating to the Syncrude Project estimated at \$569,000 (1985 — \$509,000) are not included in other administrative expenses but are reflected in results of operations of the project for the year.

Administrative expenses include an amount of \$210,000 (1985 — \$419,000) expended to communicate the role and activities of the Fund.

Transfer to the General Revenue Fund

All of the net income of the Fund has been transferred to the General Revenue Fund pursuant to section 4(2) of the Alberta Heritage Savings Trust Fund Act.

Non-renewable Resource Revenue Transfer

15% (1985 — 15%) of the estimated net non-renewable resource revenue received by the Province during the year ended March 31, 1986 has been transferred to the Alberta Heritage Savings Trust Fund pursuant to section 1 of the Alberta Heritage Savings Trust Fund Special Appropriation Act, 1985-86 and section 5(5) of the Alberta Heritage Savings Trust Fund Act.

In determining the amount of the estimated net non-renewable resource revenue, the following amounts have been deducted from the estimated non-renewable resource revenue received.

- (i) transfers during the year to the Alberta Petroleum Incentives Program Fund, pursuant to section 3(2) of the Petroleum Incentives Program Act,
- (ii) exploratory drilling and geophysical incentive grants paid and incentive credits applied during the year, pursuant to section 4.1(2) of the Mines and Minerals Act, and
- (iii) royalty tax credits paid, pursuant to section 26.41 of the Alberta Corporate Income Tax Act and section 12.2 of the Alberta Income Tax Act.

An adjustment may be necessary pursuant to section 5(6) of the Alberta Heritage Savings Trust Fund Act on the finalization of the 1985-86 Public Accounts, to make the amount of the net non-renewable resource revenue in the Alberta Heritage Savings Trust Fund for the year ended March 31, 1986 equal to 15% of the net non-renewable resource revenue received in that year.

Contingencies

Claims and potential claims pending at March 31, 1986 in respect of various capital projects exceed amounts expended by approximately \$16,330,000 (1985 — \$25,714,000). The resulting loss, if any, from these claims and potential claims cannot be determined.

Comparative Figures

Marketable securities which were reported separately in 1985 have been combined and form part of cash and marketable securities. The 1985 figures have been reclassified where necessary to conform to the 1986 presentation.

Approval of Financial Statements

These financial statements were approved by management.

	1986		1985	
	Cost	Market Value	Cost	Market Value
	(thousands of dollars)			
Bonds:				
Government of Canada, direct _____	\$ 10,159	\$ 10,181	\$ 126,879	\$ 108,236
Provincial, direct and guaranteed:				
Alberta _____	1,410	1,379	4,564	4,309
Other provinces _____	24,442	23,805	89,355	74,629
Corporate _____	—	—	4,050	3,544
	<u>36,011</u>	<u>35,365</u>	<u>224,848</u>	<u>190,718</u>
Bond coupons and residuals:				
Government of Canada, direct _____	49,545	49,371	—	—
Mid-term money market securities:				
Promissory note _____	6,838	6,788	25,000	24,834
Certificate of deposit _____	3,000	3,035	20,000	19,920
	<u>9,838</u>	<u>9,823</u>	<u>45,000</u>	<u>44,754</u>
Short-term money market securities (a):				
Treasury bills:				
Government of Canada _____	720,821	720,821	259,592	259,592
Other _____	168,793	168,793	86,628	86,628
Promissory notes:				
Province of Alberta _____	35,000	35,000	19,834	19,834
Other _____	249,596	249,596	161,298	161,298
Deposit receipts _____	146,178	146,178	258,274	258,274
Bankers' acceptances _____	120,509	120,509	126,337	126,337
Bearer deposit notes _____	85,239	85,239	123,344	123,344
Certificates of deposit and guaranteed investment certificate _____	60,000	60,000	33,300	33,300
	<u>1,586,136</u>	<u>1,586,136</u>	<u>1,068,607</u>	<u>1,068,607</u>
Deposit in the Consolidated Cash Investment Trust Fund _____	94,317	94,317	77,056	77,056
	<u>\$1,775,847</u>	<u>\$1,775,012</u>	<u>\$1,415,511</u>	<u>\$1,381,135</u>

(a) The market value of short-term money market securities is estimated to approximate cost.

Alberta Heritage Savings Trust Fund

Schedule 2

	1986 Par Value	Cost	
		1986	1985
		(thousands of dollars)	
Debentures (a):			
Province of Manitoba	\$ 260,000	\$ 258,958	\$ 258,715
Province of New Brunswick	247,000	245,080	244,775
New Brunswick Electric Power Commission	135,000	133,471	133,323
Province of Newfoundland	155,000	154,400	154,197
Newfoundland and Labrador Hydro	150,000	148,227	148,099
Newfoundland Municipal Financing Corporation	73,200	72,541	74,184
Province of Nova Scotia	235,000	232,243	232,040
Nova Scotia Municipal Finance Corporation	52,850	52,620	57,180
Nova Scotia Power Corporation	125,000	123,886	123,796
Province of Prince Edward Island	66,000	65,028	66,958
Hydro-Quebec	385,000	377,133	376,680
	<u>\$1,884,050</u>	<u>\$1,863,587</u>	<u>\$1,869,947</u>

(a) Debentures bear interest rates from 9.50% to 17.75% with maturity dates from December 19, 1986 to July 15, 2005. The debentures are redeemable by a single payment of the full principal sum on maturity.

Alberta Heritage Savings Trust Fund

Schedule 3

	<u>1986</u>	<u>1985</u>
	(thousands of dollars)	
Provincial corporation debentures (a):		
Alberta Agricultural Development Corporation _____	\$1,041,240	\$ 954,520
Alberta Government Telephones Commission _____	1,472,677	1,471,239
Alberta Mortgage and Housing Corporation _____	3,387,356	3,373,810
Alberta Municipal Financing Corporation _____	1,456,032	1,453,864
Alberta Opportunity Company _____	162,400	167,200
Corporate debentures:		
Bralorne Resources Limited		
12.875% maturing on August 15, 1995 _____	3,875	4,250
IPSCO Inc.		
14.50% maturing on May 15, 1995 _____	3,846	4,231
Ridley Grain Ltd. 11% participating		
first mortgage bonds (b) _____	133,976	129,393
Canadian Commercial Bank _____	—	5,000
TransAlta Utilities Corporation _____	—	19,997
Mid-term money market securities:		
Northland Bank certificates of deposit _____	—	50,000
Common Shares:		
Alberta Energy Company Ltd. (c) _____	55,708	76,759
Bank of Alberta _____	1,600	1,600
Participation in Syncrude Project (d) _____	458,595	439,035
	<u>\$8,177,305</u>	<u>\$8,150,898</u>

(a) Provincial corporation debentures bear interest rates from 9.10% to 18.40% with maturity dates from June 15, 1986 to March 29, 2015. Interest rates on Alberta Government Telephones Commission and Alberta Municipal Financing Corporation debentures are fixed to maturity and redemption is by a single payment of the full principal sum on maturity. In general the interest rates on the other provincial corporation debentures are fixed for a 5 year period only and repayment is by annual instalments of the principal sum over the life of the debenture. The Provincial Treasurer may permit all or part of the other provincial corporation debentures to be redeemed by the issuer prior to maturity without penalty.

During the year debentures amounting to \$42,139,000 (1985 — \$70,810,000) were redeemed prior to maturity.

(b) The Province's contractual obligations to invest monies in participating first mortgage bonds of Ridley Grain Ltd. have been met up to the maximum authorized to be paid from the Fund. The monies have been used to finance the construction of a new grain terminal at Ridley Island, Prince Rupert, British Columbia. Under the terms of the debenture, prior to completion of the project, interest on the bonds is to be capitalized and compounded annually; thereafter interest is compounded semi-annually and payable annually and any shortfall will be capitalized. The principal, including capitalized interest, is repayable on or before July 31, 2015. No interest has been capitalized or accrued since July 31, 1985, the date of completion of the project.

The Fund's investment in the project at March 31, 1986 includes capitalized interest of \$27,726,000 (1985 — \$23,143,000).

(c) Pursuant to section 19(1) of the Alberta Energy Company Act, the Province may not hold more than 50% of the voting shares of the Company and the aggregate amount that the Province may have invested in the company at any time, or be committed to invest, in common shares shall not exceed \$250 million as the purchase price thereof. At March 31, 1986 the Fund held 16,506,627 common shares of the company (1985 — 22,744,127 common shares) representing 37% (1985 — 45%) of the total number of issued and outstanding voting shares of the company. The holding was acquired before the commencement of operations of the company.

The company reported retained earnings at December 31, 1985 of \$221,400,000 (1984 — \$266,100,000).

(d) Authorization has been given to pay from the Fund the Province's share of construction and operating costs incurred under the Syncrude Project - Ownership and Management Agreement. As a 16.74% participant in the project the Fund is, as lessee, entitled to its proportionate share of all substances produced subject to the liabilities to the Province of Alberta, as lessor, in accordance with the Alberta Crown Agreement. The Fund's participation in the project is summarized hereunder:

	1986	1985
Balance at beginning of year	\$439,035,000	\$442,548,000
Acquisition of capital assets	68,671,000	30,806,000
Decrease in working capital	(27,932,000)	(16,979,000)
Depreciation and amortization of capital assets	(21,179,000)	(17,340,000)
Balance at end of year	\$458,595,000	\$439,035,000

It is intended that the cost of capital assets will be fully amortized by December 31, 2013, the date of expiry of the approval of the project by the Energy Resources Conservation Board.

Alberta Heritage Savings Trust Fund
Schedule 4


1986 1985
 (thousands of dollars)

Corporate debenture:

Luscar Ltd.

 13.875% maturing on December 2, 1989 \$16,250 \$23,750

Repayable in quarterly instalments of \$1,250,000. An additional instalment to a maximum of \$2,500,000 each year may be made at the company's option with a premium.

Alberta Heritage Savings Trust Fund
Schedule 5


1986		1985	
Cost	Market Value	Cost	Market Value
(thousands of dollars)			

Canadian equities (a):
Common shares:

Communications and media	\$ 7,074	\$20,912	\$ 7,074	\$ 14,385
Consumer goods and services	23,381	48,329	23,518	38,050
Financial services	7,369	18,456	5,399	13,469
Forest products and paper	10,064	21,850	9,115	14,053
Gold	8,583	13,063	5,050	8,569
Industrial goods and services	20,267	37,562	21,894	29,095
Management companies	16,492	33,283	13,317	24,181
Merchandising	15,575	36,356	13,322	16,903
Metals and minerals	24,222	35,512	23,332	31,235
Oil and gas	29,886	34,831	26,532	38,739
Pipelines	10,200	13,283	9,626	14,147
Transportation	3,036	6,116	7,886	12,132
Utilities	15,168	24,818	14,389	21,940

Preferred shares:

Merchandising	2,124	4,463	2,124	3,456
	193,441	348,834	182,578	280,354

Convertible bonds	15,034	16,973	14,171	15,350
-------------------	--------	--------	--------	--------

Short-term money market
securities (b):
Treasury bills:

Government of Canada	8,797	8,797	4,493	4,493
	<u>\$217,272</u>	<u>\$374,604</u>	<u>\$201,242</u>	<u>\$300,197</u>

(a) The industrial classifications are those used by the Toronto Stock Exchange.

(b) The market value of short-term money market securities is estimated to approximate cost.

Alberta Heritage Savings Trust Fund

Schedule 6

Department/Project	1986 (thousands of dollars)	1985 (thousands of dollars)
Assets:		
Economic Development		
Venture Capital Financing — Vencap Equities Alberta Ltd. (a) _____	\$ 199,998	\$ 199,999
Deemed Assets:		
Advanced Education		
Alberta Heritage Scholarship Fund _____	100,000	100,000
Library Development _____	9,000	9,000
Agriculture		
Farming For The Future _____	34,438	29,708
Food Processing Development Centre _____	8,165	6,780
Irrigation Rehabilitation and Expansion _____	182,214	152,303
Economic Development		
New Rail Hopper Cars _____	53,779	53,779
Education		
Alberta Heritage Learning Resources _____	9,222	9,222
Energy and Natural Resources		
Alberta Oil Sands Technology and Research Authority _____	351,449	301,449
Environment		
Irrigation Headworks and Main Irrigation Systems Improvement _____	255,351	201,086
Land Reclamation _____	26,298	23,522
Lesser Slave Lake Outlet _____	2,889	2,889
Paddle River Basin Development _____	41,312	40,362
Executive Council		
Occupational Health and Safety Research and Education _____	3,924	3,062
Forestry		
Alberta Reforestation Nursery _____	14,739	14,739
Grazing Reserves Development _____	31,515	28,033
Maintaining Our Forests _____	24,236	20,039
Hospitals and Medical Care		
Alberta Children's Provincial General Hospital _____	40,477	40,477
Applied Cancer Research _____	29,244	24,827
Applied Heart Disease Research _____	29,341	29,341
Tom Baker Cancer Centre and Special Services Facility _____	93,204	93,204
Walter C. Mackenzie Health Sciences Centre _____	355,998	311,998
Alberta Heritage Foundation for Medical Research Endowment Fund _____	300,000	300,000

Schedule 6 (cont'd)

Department/Project	1986 (thousands of dollars)	1985
Public Works, Supply and Services		
Capital City Recreation Park _____	\$ 42,243	\$ 42,243
Fish Creek Provincial Park (Land) _____	28,161	27,796
Recreation and Parks		
Fish Creek Provincial Park (Development) _____	16,859	16,859
Kananaskis Country Recreation Development _____	211,792	196,627
Urban Parks _____	82,408	62,464
Technology, Research and Telecommunications		
Electronic Products Test Centre _____	5,610	4,225
Microchip Design and Fabrication Facilities _____	2,254	—
Transportation		
Airport Terminal Buildings _____	16,359	16,359
	<u>2,402,481</u>	<u>2,162,393</u>
	<u>\$2,602,479</u>	<u>\$2,362,392</u>

- (a) The outstanding balance of the loan to Vencap Equities Alberta Ltd. (Vencap) is repayable in instalments of \$1,000 in each of the years 1986 to 2002, inclusive, in instalments of \$15,000,000 in each of the years 2003 to 2012, inclusive, and a final instalment of \$49,981,000 in 2013. In the current year interest on the participating debenture securing the loan amounts to 50% (1985 — 50%) of the defined net income of Vencap. This percentage reduces as the loan is repaid and convertible debentures amounting to \$40,000,000, maturing July 2, 1998, and guaranteed by the Province, are converted or redeemed. For 20 years following full repayment of the loan, the Fund will receive 10% of the defined net income of Vencap.

As further consideration for the loan the Province has been granted an option to purchase up to 4,000,000 special shares at \$1 each, exclusive to the Province, convertible into common shares of Vencap. The purchase option expires on the later of the repayment of the loan and the redemption or conversion of the convertible debentures, on which later date the 20% voting rights attaching to each and all of the special shares cease.